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VOLUME III—TRUST FUNDS, CROWN CORPORATIONS AND AGENCIES

Ministry of Finance and Corporate Relations



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Province of British Columbia

Public Accounts of British Columbia

For the fiscal year ended March 31
1986

VOLUME III—TRUST FUNDS, CROWN CORPORATIONS AND AGENCIES

HON. MEL COUVELIER
Minister of Finance and Corporate Relations

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SECTION G

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BRITISH COLUMBIA ASSESSMENT AUTHORITY

Province of
British Columbia

Office of the
Auditor General
Province of British Columbia

8 Bastion Square
Victoria
British Columbia
V8V 1X4

AUDITOR'S REPORT

To the Chairman and Members of the Board of Directors of the British Columbia Assessment Authority, and

To the Minister of Finance
Province of British Columbia:

I have examined the balance sheet of the British Columbia Assessment Authority as at 31 December 1985 and the statements of revenue, expenditure and equity and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Authority as at 31 December 1985 and the results of its operations for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Erma Morrison, F.C.A.
Auditor General

Victoria, British Columbia
10 March 1986

BRITISH COLUMBIA ASSESSMENT AUTHORITY
BALANCE SHEET
AS AT DECEMBER 31, 1985

	1985	1984
ASSETS		
Current Assets		
Cash and temporary investments	$ 3,499,316	$ 3,679,414
Accounts receivable	248,521	184,780
Prepaid expenses	213,693	208,193
	3,961,530	4,072,387
Fixed Assets (Note 3)		
Land, building, equipment and vehicles	3,709,833	3,076,528
Less: accumulated depreciation	2,616,708	2,345,834
	1,093,125	730,694
	$ 5,054,655	$ 4,803,081
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	$ 2,551,221	$ 2,783,589
Current portion of long-term liabilities	115,627	28,303
	2,666,848	2,811,892
Long-Term Liabilities		
Obligations under capital lease (Note 4)	322,941	-
Employees' past benefits	639,990	719,081
	962,931	719,081
Less current portion	115,627	28,303
	847,304	690,778
	3,514,152	3,502,670
Equity		
Equity in fixed assets	1,093,125	730,694
Surplus from operations	447,378	569,717
	1,540,503	1,300,411
	$ 5,054,655	$ 4,803,081

The accompanying eight notes are an integral part of these financial statements.

Approved by the Authority

L.E. Wight - Chairman of the Board

G. Zorn - Director of Finance

BRITISH COLUMBIA ASSESSMENT AUTHORITY
STATEMENT OF REVENUE, EXPENDITURE AND EQUITY
FOR THE YEAR ENDED DECEMBER 31, 1985

	1985	1984
REVENUE		
Province of British Columbia grant (Note 5)	$ 6,670,000	$ 7,850,000
Tax levies (Note 6)	25,756,453	25,132,534
Interest	458,404	629,622
Other	435,906	920,865
	33,320,763	34,533,021
EXPENDITURE		
Salaries and fringe benefits	25,700,588	25,597,753
Directors' fees and expenses	63,723	37,421
Accommodation	1,990,257	2,014,039
Travel	1,415,550	1,232,633
Office	1,280,915	1,924,807
Interest (Note 7)	300,553	267,538
Professional and special services	1,878,174	3,263,898
Depreciation	450,911	267,341
	33,080,671	34,605,430
EXCESS OF REVENUE OVER EXPENDITURE (1984: EXPENDITURE OVER REVENUE)	240,092	[72,409]
EQUITY - BEGINNING OF YEAR	1,300,411	1,372,820
EQUITY - END OF YEAR	$ 1,540,503	$ 1,300,411

BRITISH COLUMBIA ASSESSMENT AUTHORITY
STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 1985

	1985	1984
SOURCES OF CASH		
Excess of revenue over expenditure (1984: expenditure over revenue)	$ 240,092	$[72,409]
Adjustments: items not involving cash:		
Depreciation	450,911	267,341
Gain on disposal of fixed assets	[43,069]	[16,532]
Increase in employees' past benefits	10,966	10,171
Provided from operations	658,900	188,571
Obligations under capital lease	428,950	-
Proceeds on sale of fixed assets	53,318	16,532
Increase in current liabilities	-	277,043
Decrease in accounts receivable and prepaid expenses	-	254,137
	1,141,168	736,283
USES OF CASH		
Acquisition of fixed assets	823,591	151,625
Reduction of obligations under lease	216,286	-
Reduction of employees' past benefits	67,104	28,465
Reduction of current liabilities	145,044	-
Increase in accounts receivable and prepaid expenses	69,241	-
	1,321,266	180,090
INCREASE (DECREASE) IN CASH	[180,098]	556,193
CASH AND TEMPORARY INVESTMENTS - BEGINNING OF YEAR	3,679,414	3,123,221
CASH AND TEMPORARY INVESTMENTS - END OF YEAR	$ 3,499,316	$ 3,679,414

BRITISH COLUMBIA ASSESSMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1985

1. THE AUTHORITY

The purpose of the Authority is to establish and maintain assessments that are uniform in the whole of the Province in accordance with the Assessment Act.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with generally accepted accounting principles. Significant accounting policies followed in the preparation of these financial statements are:

(a) Fixed assets

Fixed assets are stated at cost. Depreciation is provided on a straight line basis using the following annual rates:

Building	5%
Furniture and equipment	20%
Motor vehicles	20%

Fixed assets include the cost of leased equipment in cases where the Authority will enjoy substantially all of the economic benefits to be derived from an asset during the lifetime of its lease. Cost approximates the fair market value of the leased equipment at the start of the lease. The balance of the unpaid lease obligations, excluding interest, is included in the Authority's liabilities.

(b) Employees' past benefits

At the time of the formation of the British Columbia Assessment Authority, the Authority negotiated an agreement with those designated employees whose previous working agreements contained clauses which called for payment of certain benefits upon death, retirement or termination of employment. The benefits are recognized as a long-term liability, with an amount equal to payments due within the immediate twelve months following the statement date segregated and recognized as a current liability. Adjustments to the liability resulting from changes in salary rates are charged to the current year. Payments of benefits are treated as a reduction of the liability.

(c) Tax levy revenue

Recognition of tax levy revenue is consistent with the provisions of Section 16(3) of the Assessment Authority Act. Tax levy revenue of the Authority is recognized at the time taxes are collected by the municipality or the Minister of Finance, as applicable.

BRITISH COLUMBIA ASSESSMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1985

3. FIXED ASSETS

	1985			1984
	Cost	Accumulated Depreciation	Net	Net
Land	$ 178,000	$ -	$ 178,000	$ 178,000
Building	223,249	114,030	109,219	120,382
Furniture & equipment	2,443,892	1,866,677	577,215	167,204
Motor vehicles	864,692	636,001	228,691	265,108
	$3,709,833	$2,616,708	$1,093,125	$ 730,694

Included in the above are assets acquired under capital lease, as follows:

	1985			1984
	Cost	Accumulated Depreciation	Net	Net
Equipment	$ 428,950	$ 126,204	$ 302,746	Nil

4. OBLIGATIONS UNDER CAPITAL LEASE

The following is a schedule of future minimum lease payments under capital leases expiring in the years indicated which, after excluding interest, comprises obligations under capital lease.

1986	$ 150,615
1987	144,383
1988	82,028
1989	18,064
Total minimum lease payments	395,090
Less: amount representing interest at various rates from 10% to 21%	(72,149)
Balance of the obligations	$ 322,941

BRITISH COLUMBIA ASSESSMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1985

5. PROVINCE OF BRITISH COLUMBIA GRANT

The Authority, under Section 15 of the Assessment Authority Act is entitled to receive from the Province of British Columbia an operating grant determined by multiplying the Authority's operating costs for its immediately preceding fiscal year by a percentage fixed by order of the Lieutenant-Governor in Council.

6. TAX LEVIES

The Authority by by-law, and subject to the prior approval of the Lieutenant-Governor in Council, each year imposes and levies a tax upon all taxable property in the Province. A copy of this by-law is forwarded to the Tax Collector of every municipality in the Province and to the Surveyor of Taxes so that the taxes so levied will be placed on the tax rolls. The proceeds of the taxes so levied and collected by the municipalities or the Minister of Finance constitute the Authority's tax levies revenue.

Under Section 15(4) of the Assessment Authority Act the Authority's annual tax levies are to be "at a rate sufficient to maintain the operating fund." The operating fund is defined under Section 15(3) as "the total amount required to meet the annual operating and capital expenses of the Authority." Section 15(4) further specifies that in determining the rate of taxation to be levied "the Authority shall take into account the amount of the annual operating grant."

Based on the above, there was levied on all taxable property in the Province, except on the property of the British Columbia Hydro and Power Authority, a tax on each class of property at a rate as set out below:

Class of Property Prescribed under Section 26 of the Assessment Act	Rate of Tax Applied Against each $1,000 of Net Taxable Value of Property
Class 1 Residential	$0.1420
2 Utilities	0.4970
3 Forestry	0.5680
4 Machinery and Equipment	0.3976
5 Industrial	0.4828
6 Business and Other	0.3479
7 Tree Farm	1.1360
8 Seasonal resort, recreational property and fraternal organizations	0.1420
9 Farm	0.1420

The same rate of tax by property class was levied in 1984.

BRITISH COLUMBIA ASSESSMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1985

7. FINANCING

Under Section 16(4) of the Assessment Authority Act, the Authority may "pending receipt of the proceeds of the taxes, borrow an amount not exceeding the proceeds of the taxes...and the loan shall be repaid from the proceeds of the taxes."

The maximum borrowings by the Authority outstanding at any time throughout the year were $11,082,200 in 1985 (1984: $10,235,000).

8. COMMITMENTS

The Authority is committed to make the following payments on buildings and equipment under operating lease for periods of more than one year:

1986	$1,569,549
1987	1,430,979
1988	1,253,107
1989	1,075,133
1990	441,432
Thereafter	115,200
	$5,885,400

BRITISH COLUMBIA BUILDINGS CORPORATION

Balance Sheet

	March 31 1986	1985
	$000's	
Assets		
Real estate investments		
Income-producing properties (Note 2)	**510,429**	517,597
Income-producing properties under construction (Note 3)	**15,048**	23,869
Land held for development (Note 4)	**11,355**	17,960
	536,832	559,426
Investment in British Columbia Place Ltd. (Note 5)	**205,000**	205,000
Corporate properties and equipment (Note 6)	**9,169**	8,979
Unamortized debt discount and issue expenses	**19,560**	28,723
Other assets (Note 7)	**20,791**	19,833
	791,352	821,961
Liabilities and Equity		
Long-term debt (Note 8)	**555,835**	555,242
Notes payable to the Province of British Columbia (Note 9)	**54,885**	67,543
Short-term debt (Note 10)	**38,951**	48,488
Other liabilities (Note 11)	**36,698**	45,405
Contributions by the Province of British Columbia (Note 12)	**59,021**	62,516
Retained earnings	**45,962**	42,767
	791,352	821,961
Commitments (Note 13)		

On Behalf of the Board:

George A. Rigsby, Director

Robert E. Parkinson, Director

The accompanying notes are an integral part of these statements.

Auditors' Report

To the Lieutenant-Governor-in-Council
Province of British Columbia

We have examined the balance sheet of British Columbia Buildings Corporation as at March 31, 1986 and the statements of income, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of British Columbia Buildings Corporation as at March 31, 1986 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Vancouver, Canada
May 9, 1986

Peat, Marwick, Mitchell & Co.
CHARTERED ACCOUNTANTS

Statement of Income

	Year ended March 31 1986	1985
	$000's	
Revenue		
Rentals	**215,519**	216,414
Other income	**19,028**	17,907
	234,547	234,321
Expenses		
Property management	**57,168**	59,334
Leases	**45,464**	44,508
Depreciation	**26,550**	26,099
Energy	**16,262**	16,777
Property taxes and grants	**11,168**	10,758
General and administrative	**8,882**	9,426
	165,494	166,902
Net income before interest	**69,053**	67,419
Interest (Note 14)	**65,858**	63,015
Net Income	**3,195**	4,404

Statement of Retained Earnings

	Year ended March 31 1986	1985
	$000's	
Balance, beginning of year	**42,767**	42,767
Net income	**3,195**	4,404
	45,962	47,171
Dividend	**—**	4,404
Balance, end of year	**45,962**	42,767

The accompanying notes are an integral part of these statements.

Statement of Changes in Financial Position

Financial Resources Provided By:	Year ended March 31 1986	1985
	$000's	
Operations		
Net income	**3,195**	4,404
Charges not requiring current cash outlay		
Depreciation and amortization	**39,256**	36,515
Cash flow from operations	**42,451**	40,919
Long-term debt	**25,000**	75,000
Other	**(3,590)**	12,754
	63,861	128,673

Financial Resources Used For:		
Real estate investments	**2,422**	13,081
Reduction of long-term debt	**16,363**	4,500
Reduction of notes payable to the Province	**12,658**	63,124
Reduction of short-term debt	**9,537**	31,155
Sinking funds	**8,955**	7,777
Decrease (increase) in contributions by the Province	**3,495**	(89)
Dividend	**—**	4,404
Corporate properties and equipment, net	**1,724**	580
Decrease in other liabilities	**8,707**	4,141
	63,861	128,673

The accompanying notes are an integral part of these statements.

Notes to the Financial Statements

March 31, 1986

1. Accounting Policies

(a) Real Estate Investments
Real estate investments and corporate properties and equipment are recorded at cost less accumulated depreciation. In addition to land and direct costs, amounts capitalized to real estate investments during development and construction include property taxes and the applicable portion of both interest on general borrowings and general and administrative expenses.

(b) Depreciation
Real estate investments and corporate properties and equipment are depreciated on an individual basis by the straight-line method over their estimated useful lives or lease terms. Depreciation is prorated by month in the year of acquisition or disposal.

The estimated useful lives or lease terms of income-producing and corporate properties are between five and forty years. The estimated useful lives of all other assets are between three and ten years

(c) Income Taxes
The Corporation is exempt from Federal and Provincial income taxes.

(d) Sinking Funds
Payments made to sinking funds with respect to retirement provisions of sinking fund bonds and debentures are netted against long-term debt until such time as the bonds or debentures are redeemed and cancelled. Interest earned on the sinking funds is treated as interest income with a corresponding increase in the sinking funds.

(e) Amortization of Debt Discount and Issue Expenses
Debt discount is amortized by the effective rate of interest method and issue expenses are amortized on a straight-line basis, both over the terms of the applicable debt.

(f) Foreign Exchange
Monetary liabilities in foreign currencies are translated at the rate in effect at the balance sheet date unless covered by forward exchange contracts, in which case they are translated at contract rates. The related interest expense is translated at average rates for the year. Unrealized foreign currency gains or losses on long term monetary liabilities are reported as a deferred charge or credit and amortized over the remaining terms of the related liabilities on a straight-line basis.

2. Income-Producing Properties

	1986	1985
	$000's	
Net book value:		
Cost	**664,372**	645,835
Accumulated depreciation	**(153,943)**	(128,238)
	510,429	517,597
Activity:		
Net book value, beginning of year	**517,597**	515,904
Properties transferred from income-producing properties under construction	**32,462**	34,385
Disposals, net	**(14,614)**	(7,888)
Depreciation expense	**(25,016)**	(24,804)
Net book value, end of year	**510,429**	517,597

3. Income-Producing Properties Under Construction

Balance, beginning of year	**23,869**	37,953
Direct development and construction costs	**21,463**	16,279
Capitalization of interest	**440**	2,280
Capitalization of general and administrative expenses	**1,738**	1,742
Cost of properties completed and transferred to income-producing properties	**(32,462)**	(34,385)
Balance, end of year	**15,048**	23,869

4. Land Held For Development

Balance, beginning of year	**17,960**	17,292
Capitalization of interest and property tax	**977**	1,499
Disposals, net	**(7,582)**	(831)
Balance, end of year	**11,355**	17,960

Notes to the Financial Statements

March 31, 1986

5. Investment in British Columbia Place Ltd.

The Corporation owns the only outstanding share of British Columbia Place Ltd. (B.C. Place) and has an investment of $205 million in that company. B.C. Place is a British Columbia Crown corporation which is developing a major site at False Creek in Vancouver, including B.C. Place Stadium and the site leased for Expo '86. Effective April 1, 1986, B.C. Place acquired additional properties and assumed related liabilities from the Province of British Columbia. Its summary financial statements are as follows:

British Columbia Place Ltd.
Balance Sheet

	March 31	
	1986	1985
	$000's	
Assets		
Land and site services	**131,313**	130,940
Stadium	**159,887**	162,609
B.C. Pavilion and Roundhouse	**52,694**	22,526
Other assets	**8,726**	8,622
	352,620	324,697
Liabilities and Equity		
Accounts payable and accrued liabilities	**17,433**	17,776
Long-term debt	**138,832**	105,972
Equity investment by shareholder, British Columbia Buildings Corporation	**205,000**	205,000
Deficit	**(8,645)**	(4,051)
	352,620	324,697

Statement of Operations

	Year ended March 31	
	1986	1985
	$000's	
Revenue—land operations	**4,123**	693
Cost of land operations	**4,132**	1,674
Other expenses	**1,902**	830
	6,034	2,504
Loss from land operations	**1,911**	1,811
Loss from stadium operations	**2,683**	2,078
Loss for the year	**4,594**	3,889

The accounting policies of B.C. Place are consistent with those of the Corporation except for depreciation of certain Stadium assets costing $101 million which is on the sinking fund method.

Under the British Columbia Place Act, the rights of the shareholder of B.C. Place are exercisable by the Minister of Finance for British Columbia and, accordingly, the investment is accounted for in the Corporation's accounts at cost. Any future dividends declared by B.C. Place will accrue to the Corporation and will be included in income.

6. Corporate Properties and Equipment

	1986	1985
	$000's	
Cost:		
Office and data processing equipment	**8,827**	7,431
Corporate properties and leasehold improvements	**2,779**	2,969
Maintenance equipment	**2,220**	2,127
Vehicles	**1,969**	1,819
	15,795	14,346
Accumulated depreciation	**(6,626)**	(5,367)
	9,169	8,979

7. Other Assets

Cash	**77**	—
Temporary investments	**13,900**	5,000
Accounts receivable		
- Province of British Columbia	**4,758**	10,141
- Other	**1,460**	2,455
Deferred foreign exchange loss	**206**	1,842
Prepaid expenses	**390**	395
	20,791	19,833

8. Long-Term Debt

Total outstanding:

	1986			1985		
	Number of Series	Average Effective Interest Rate	Principal **$000's**	Number of Series	Average Effective Interest Rate	Principal $000's
Payable in Canadian currency	29	13.12%	**566,241**	28	13.34%	541,241
Payable in United States currency (US $20,000,000; 1985 - US $32,000,000)	1	13.03%	**28,183**	2	13.03%	43,635
			594,424			584,876
Sinking funds on deposit with the Minister of Finance for British Columbia, relating to long-term debt of $268,041,000 (1985- $243,041,000)			**(38,589)**			(29,634)
			555,835			555,242

Coupon rates on the long-term debt range from 4.75% to 15.69%

At the option of the Minister of Finance for Canada, Sinking Fund Debentures with an aggregate principal of $165,041,000 maturing between 1997 and 2003 may be called prior to maturity under certain conditions on six months written notice.

Of the long-term debt outstanding, $238,268,000 (1985 - $230,655,000) is payable to the Minister of Finance for British Columbia. The Province has unconditionally guaranteed the principal and interest of all other long-term debt issued by the Corporation.

New issue during the year ended March 31, 1986:

Series	Coupon Rate	Maturity Date	Principal
			$000's
BCBC-JY4	9.45%	March 27, 1993	**25,000**

Aggregate sinking fund and principal payments on all outstanding issues for each of the next five years:

	$000's
1986/87	**54,243**
1987/88	**163,500**
1988/89	**17,500**
1989/90	**62,500**
1990/91	**17,500**

Notes to the Financial Statements

March 31, 1986

9. Notes Payable to the Province of British Columbia

The promissory notes are non-interest bearing, callable on 30 days notice and re-payable semi-annually in varying amounts to March 31, 1992.

Payments over the next five years:

	$000's
1986/87	**11,386**
1987/88	**10,386**
1988/89	**10,386**
1989/90	**10,386**
1990/91	**10,386**

10. Short-Term Debt

The short-term notes are payable to the Minister of Finance for British Columbia and mature at varying dates to June 23, 1986. These notes represent issues by the Ministry of Finance of which $6,454,000 (1985 - $14,182,000) are in United States currency and are fully hedged. The effective interest rates range from 9.14% to 12.46%, and average 10.85% for the notes outstanding.

11. Other Liabilities

	1986	1985
	$000's	
Due to bank, unsecured	**—**	452
Accounts payable and accrued liabilities	**19,668**	22,754
Retentions on contracts	**892**	1,125
Accrued interest payable		
- Province of British Columbia	**7,515**	8,051
- Other	**8,623**	8,619
Dividend payable	**—**	4,404
	36,698	45,405

12. Contributions by the Province of British Columbia

Balance, beginning of year	**62,516**	62,427
Land acquired from (returned to) the Province, net	**(3,495)**	89
Balance, end of year	**59,021**	62,516

13. Commitments

The Corporation estimates that the cost to complete projects under construction will be $27,000,000 of which $13,000,000 has been committed.

The Corporation has entered into leases with third parties to provide space for its client ministries and its head office for varying periods up to the year 2003, at a total aggregate net rental of approximately $166,000,000. Most leases are for between five and ten years and include renewal options.

Minimum annual lease payments which will be charged to operations in subsequent years, for leases committed at March 31, 1986:

	$000's
1986/87	**37,000**
1987/88	**32,000**
1988/89	**28,000**
1989/90	**21,000**
1990/91	**16,000**
Post 1990/91	**32,000**
	166,000

14. Interest

	1986	1985
	$000's	
Interest on long-term debt	**64,212**	60,875
Other interest	**4,247**	8,544
Amortization of debt discount and issue expenses	**9,391**	8,600
Amortization of foreign exchange loss	**3,315**	1,816
	81,165	79,835
Deduct:		
Interest assistance	**10,000**	10,000
Interest capitalized	**1,377**	3,727
Interest earned	**3,930**	3,093
	15,307	16,820
	65,858	63,015

The Province of British Columbia has agreed to provide assistance of up to $10 million per annum towards the interest expense incurred by the Corporation in connection with its investment in B.C. Place, until the earlier of 1992 or such time as the cash flow to the Corporation from its investment exceeds the related interest expense.

15. Related Party Transactions

The Corporation is incorporated under the British Columbia Buildings Corporation Act as a Crown corporation of the Province of British Columbia, and is an agent of the Crown.

The Corporation received 90% of its total revenues from Provincial Government ministries. These revenues consist primarily of rents that are determined with reference to market; however, in such cases where comparable market rates do not exist, rents are based on the amortization of the capital costs.

During the year ended March 31, 1986, the Corporation had property transactions with the Province and its agents. Properties acquired had an aggregate value of $1,234,000 which was determined by reference to market values. Properties returned had a value of $5,605,000 which was determined by reference to net book values.

BRITISH COLUMBIA CELLULOSE COMPANY

Coopers & Lybrand | chartered accountants | a member firm of Coopers & Lybrand (International)

AUDITORS' REPORT

The Lieutenant-Governor in Council
Province of British Columbia

We have examined the balance sheet of British Columbia Cellulose Company as at December 31, 1985 and the statements of loss and retained earnings for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the company as at December 31, 1985 and the results of its operations for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Coopers & Lybrand

Vancouver, B.C.
February 14, 1986

BRITISH COLUMBIA CELLULOSE COMPANY

BALANCE SHEET AS AT DECEMBER 31, 1985

	1985 $	1984 $
A S S E T S		
CURRENT ASSETS		
Cash and short-term deposits	48,905	188,817
Accrued interest and accounts receivable	28,121	20,031
Prepaid rentals and timber sale deposits	33,980	50,970
Assets held for sale (note 2)	302,925	
	413,931	259,818
LOANS TO OCEAN FALLS CORPORATION (note 3)	Nil	Nil
EQUIPMENT (note 2)	Nil	1,481,596
OFFICE EQUIPMENT (note 2)	Nil	1,349
	413,931	1,742,763
L I A B I L I T I E S		
CURRENT LIABILITIES		
Provision for costs and expenses on dissolution (note 1)	383,926	
Accounts payable and accrued liabilities	26,422	20,883
	410,348	20,883
S H A R E H O L D E R ' S E Q U I T Y		
CAPITAL STOCK (note 4)	2	2
RETAINED EARNINGS	3,581	1,721,878
	3,583	1,721,880
	413,931	1,742,763

APPROVED BY THE DIRECTORS

Director

Director

Coopers & Lybrand

BRITISH COLUMBIA CELLULOSE COMPANY

STATEMENT OF LOSS AND RETAINED EARNINGS

FOR THE YEAR ENDED DECEMBER 31, 1985

	1985 $	1984 $
INCOME		
Interest income	9,055	70,434
Standby fees	5,779	22,446
Other		15,349
	14,834	108,229
EXPENSE		
Administrative	101,686	116,115
Research and development		98,379
Equipment storage and maintenance	57,079	44,445
Other	16,990	16,990
	175,755	275,929
LOSS BEFORE THE FOLLOWING	(160,921)	(167,700)
Provision for write-down of equipment to estimated net realizable value (note 2)	(1,149,800)	(527,000)
Ocean Falls Corporation normalization (note 2)	(323,650)	
Provision for costs and expenses of dissolution (note 1)	(83,926)	
Provision for loss on Ocean Falls Corporation loan		(500,000)
LOSS FOR THE YEAR (note 5)	(1,718,297)	(1,194,700)
RETAINED EARNINGS - BEGINNING OF YEAR	1,721,878	2,916,578
RETAINED EARNINGS - END OF YEAR	3,581	1,721,878

Coopers &Lybrand

BRITISH COLUMBIA CELLULOSE COMPANY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1985

1. OPERATIONS

Since 1980, the company has funded the administration, maintenance and research for future activities for Ocean Falls. During this period the company, in conjunction with the B.C. Government, has attempted to attract various types of industrial activity to Ocean Falls as well as maintain the industrial community.

During 1983, the B.C. Government passed legislation to dissolve both the company and Ocean Falls Corporation; however, the "acts" did not receive assent by order in council, in the hope that the Crown Corporations could develop some large-scale industrial activity which would sustain the community.

During the current year, because no large-scale industrial activities have been attracted to Ocean Falls, the B.C. Government announced its intention to establish Ocean Falls as a self-supporting entity to attract a mixture of smaller-scale economic activities better suited for its remote location. Accordingly, the 1983 legislation to dissolve the company and Ocean Falls Corporation is to be proclaimed in the near future.

These financial statements reflect the estimated net realizable values of the company's assets and include in current liabilities all anticipated costs relating to the dissolution and eventual liquidation of the company.

2. ASSETS FOR SALE

These assets are carried at estimated net realizable value and comprise:

	$
Manufacturing equipment	300,000
Office equipment	2,925
	302,925

In prior years the company purchased certain manufacturing equipment to establish an experimental log processing operation at Ocean Falls. Certain other equipment was also purchased for the development of an experimental wood product. The company has recently entered into an agreement with Maynard's Industries Ltd. (Maynard's) for the sale of this equipment and a provision of $1,149,800 has been made to write down its carrying value to estimated net realizable value.

BRITISH COLUMBIA CELLULOSE COMPANY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1985

2. ASSETS FOR SALE (continued)

At the request of the B.C. Government, all proceeds from the disposition of the manufacturing equipment are to be contributed to Ocean Falls Corporation as part of its normalization program. Provision has been made in these financial statements for the expected payment to Ocean Falls Corporation as part of the dissolution of the company.

3. LOANS TO OCEAN FALLS CORPORATION

The company has, as a part of its mandate from the B.C. Government, funded Ocean Falls Corporation's townsite costs while investigations proceeded regarding the future of Ocean Falls. In view of the pending dissolution of both the company and Ocean Falls Corporation (note 1) these loans have been written off during the year.

4. CAPITAL STOCK

	1985 $	1984 $
Authorized -		
1,000,000 common shares of no par value		
Issued and fully paid -		
2 shares	2	2

These shares are wholly-owned by the Province of British Columbia.

5. INCOME TAXES

As a Provincial Crown Corporation, the company is exempt from federal and provincial income taxes.

6. RELATED PARTY TRANSACTIONS

Reference should be made to notes 2 and 3 for related party transactions. Management of the company's short-term deposits is handled by the Ministry of Finance.

BRITISH COLUMBIA DEVELOPMENT CORPORATION

PANNELL
KERR
FORSTER

AUDITORS' REPORT

To the Honourable Robert H. McClelland,
Minister of Industry and Small Business Development,
Province of British Columbia.

We have examined the consolidated balance sheet of British Columbia Development Corporation as at March 31, 1986 and the consolidated statements of loss and deficit and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Corporation as at March 31, 1986 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Pannell Kerr Forster

Vancouver, Canada.
May 15, 1986.

Chartered Accountants

BRITISH COLUMBIA DEVELOPMENT CORPORATION

CONSOLIDATED BALANCE SHEET

as at March 31, 1986

A S S E T S

	Note	1986	1985
INDUSTRIAL DEVELOPMENT PROGRAMS			
Land and development projects	1	$ 78,779,034	$ 80,227,739
Loans to industrial enterprises		65,596,936	69,636,010
Property leases receivable		5,364,530	5,473,643
Rental properties	2	16,726,234	17,037,174
		166,466,734	172,374,566
CASH		3,680,242	8,223,009
OTHER ASSETS	3	2,866,569	2,875,265
SPECIAL PROGRAM DEVELOPMENT FUNDS	4	179,817,577	217,168,487
		$ 352,831,122	$ 400,641,327

L I A B I L I T I E S

ACCOUNTS PAYABLE		$ 13,232,555	$ 9,778,048
TERM DEBT	5	181,670,784	168,234,182
SPECIAL PROGRAM DEVELOPMENT FUNDS	4	179,817,577	217,168,487
		374,720,916	395,180,717

SHAREHOLDER'S EQUITY (DEFICIENCY)

SHARE CAPITAL		
Common shares of $100 par value: authorized 2,000,000; issued 546,183	54,618,300	54,618,300
CONTRIBUTED SURPLUS	10,897,642	10,869,533
DEFICIT	(87,405,736)	(60,027,223)
	(21,889,794)	5,460,610
	$ 352,831,122	$ 400,641,327

Approved by the Directors

..... Director

..... Director

BRITISH COLUMBIA DEVELOPMENT CORPORATION

CONSOLIDATED STATEMENT OF LOSS AND DEFICIT

for the year ended March 31, 1986

	1986	1985
REVENUE		
Industrial development programs		
Land and development project sales	$ 5,141,051	$ 13,511,585
Loan interest and guarantee fees	7,837,891	9,468,306
Lease financing	647,535	716,506
Property rentals	1,425,382	1,318,607
Management fees	1,010,232	991,865
Interest and other	336,784	444,076
	16,398,875	26,450,945
EXPENSE		
Cost of sales, land and development projects	4,942,282	12,866,193
Property taxes	2,350,042	2,928,731
Staff remuneration and benefits	2,397,057	2,397,296
Advertising and business development	1,332,665	231,451
General administration	1,425,236	1,284,697
Professional services	646,128	720,922
Depreciation and amortization	445,416	581,423
	13,538,826	21,010,713
less: expenses capitalized to land and development projects	458,613	603,460
	13,080,213	20,407,253
EARNINGS BEFORE THE FOLLOWING	3,318,662	6,043,692
Interest on term debt (net of $106,288; 1985 - $1,085,819 capitalized to land and development projects)	21,038,000	19,648,183
Provision for write-down of land and development projects	7,186,499	22,933,423
Provision for losses on loans	2,472,676	2,556,845
	30,697,175	45,138,451
NET LOSS FOR THE YEAR	27,378,513	39,094,759
DEFICIT, beginning of year	60,027,223	20,932,464
DEFICIT, end of year	$ 87,405,736	$ 60,027,223

BRITISH COLUMBIA DEVELOPMENT CORPORATION

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

for the year ended March 31, 1986

	1986	1985
FINANCIAL RESOURCES DERIVED FROM:		
Earnings before interest on term debt and before provision for write-down of land and development projects and provision for losses on loans	$ 3,318,662	$ 6,043,692
Term debt	13,436,602	15,064,926
Cash resources	4,542,767	-
Other sources	3,802,254	-
	$ 25,100,285	$ 21,108,618
FINANCIAL RESOURCES USED FOR:		
Industrial development programs		
Land and development projects	$ 10,750,456	$ 11,489,077
Loans to industrial enterprises	17,197,051	25,340,176
	27,947,507	36,829,253
Less recoveries:		
Land sales and other recoveries	5,012,662	13,112,129
Loans and lease payments	18,872,560	27,587,016
	23,885,222	40,699,145
Net expenditures (recoveries)	4,062,285	(3,869,892)
Interest on term debt	21,038,000	19,648,183
Cash resources	-	4,632,422
Other purposes	-	697,905
	$ 25,100,285	$ 21,108,618

BRITISH COLUMBIA DEVELOPMENT CORPORATION

March 31, 1986

STATUS OF THE CORPORATION

The British Columbia Development Corporation is a Crown corporation of the Province of British Columbia, incorporated pursuant to the Development Corporation Act.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Reporting

The financial statements of the Corporation are presented in accordance with generally accepted accounting principles.

Consolidation

The consolidated financial statements include the accounts of the Corporation and its subsidiary companies:

The First Capital City Development Company Limited
Duke Point Development Limited
Lonsdale Quay Development Company Limited
Westminster Quay Public Market Ltd.

Loans and Guarantees

Loans and guarantees are reviewed regularly by management and provision is made for anticipated losses. Loans are written off against the provision when known to be uncollectible. At March 31, 1986 the balance in the provision was $7,395,462 (1985 - $7,292,550).

Land and Development Projects

Land and development projects are carried at cost less provision for write-down to estimated net realizable value. Cost represents acquisition of land and capitalized development costs. Development costs include direct development expenditures, direct salaries and expenses, interest, property taxes and related overhead expenses.

Depreciation and Amortization

Furniture and equipment are depreciated on the straight line method over five years. Leasehold improvements are amortized over the term of the lease plus one renewal term. Rental properties are depreciated on the straight line method over ten to twenty-five years.

Deferred Charges

Term debt payable in United States dollars is translated to Canadian dollars at the year-end exchange rate. Unrealized gains or losses arising from exchange fluctuations are amortized over the term of the debt.

BRITISH COLUMBIA DEVELOPMENT CORPORATION

March 31, 1986

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributed Surplus

The Corporation is designated by the Government of the Province of British Columbia as its chief agency dealing in Crown industrial land holdings. Land acquired for development is recorded at estimated market value which is credited to contributed surplus. Land acquired for resale is recorded at value equal to 70% of the net selling price which is credited to contributed surplus. When land is returned to the Province, contributed surplus is reduced by the amount recorded upon acquisition.

Income Recognition

Land and development projects sales:

The Corporation recognizes revenue on the sale of land and development projects when all material conditions in the sale agreement have been fulfilled.

Property leases:

Leases containing options to purchase generally are considered to be financing arrangements and are accounted for as sales where there is reasonable expectation that the option will be exercised. Total minimum lease payments receivable, excluding related unearned financing revenue, are reflected on the balance sheet as property leases receivable.

Property rentals:

Income from rental property is recognized when a satisfactory level of occupancy has been achieved, subject to a reasonable maximum lease-up period. Prior to that time, expenses net of rental income are capitalized.

BRITISH COLUMBIA DEVELOPMENT CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 1986

1. LAND AND DEVELOPMENT PROJECTS

	1986	1985
Balance, beginning of year	$ 80,227,739	$ 103,262,198
Add:		
Acquisition costs	916,477	4,075,600
Direct development costs	9,269,078	5,724,234
Interest, property taxes and indirect overhead capitalized	564,901	1,689,279
Transfer from rental properties	-	1,521,980
Deduct:		
Cost of sales and other recoveries	(5,012,662)	(13,112,129)
Provision for write-down	(7,186,499)	(22,933,423)
Balance, end of year	$ 78,779,034	$ 80,227,739

Interest and property taxes of $18,540,365 (1985 - $16,766,282) on certain projects were expensed during the year rather than capitalized because the carrying value of those projects otherwise would have exceeded estimated net realizable value. This amount is in addition to the provision for write-down of land and development projects of $7,186,499 (1985 - $22,933,423) for reduction in estimated realizable value.

2. RENTAL PROPERTIES

Rental properties are carried at cost less accumulated depreciation of $1,427,322 (1985 - $1,116,400).

	1986	1985
Land and buildings	$ 16,098,109	$ 16,371,549
Other property	628,125	665,625
	$ 16,726,234	$ 17,037,174

BRITISH COLUMBIA DEVELOPMENT CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 1986

3. OTHER ASSETS

	1986	1985
Premises and equipment, at cost	$ 1,532,354	$ 1,373,888
less: accumulated depreciation and amortization	1,062,617	936,305
	469,737	437,583
Accounts receivable	1,542,194	870,273
Deferred charges	854,638	1,567,409
	$ 2,866,569	$ 2,875,265

4. SPECIAL PROGRAM DEVELOPMENT FUNDS

Under agreements with the Province of British Columbia, the Corporation operates special loan programs on behalf of the Province which provide term loans to industrial enterprises. These funds consist of:

	1986	1985
Assets		
Cash and short term investments	$ 102,368,076	$ 145,110,388
Loans receivable, less allowance for losses	73,758,801	70,229,830
Indemnity due from the Province of British Columbia	3,690,700	1,828,269
	$ 179,817,577	$ 217,168,487
Liabilities and fund balance		
Notes payable to or guaranteed by the Province of British Columbia	$ 150,318,063	$ 179,948,363
Other liabilities	1,046,626	9,924,843
Fund balance	28,452,888	27,295,281
	$ 179,817,577	$ 217,168,487

Pursuant to an agreement concluded with the Province of British Columbia in 1986, a loan previously included in corporation loans to industrial enterprises was transferred to Special Program Development Funds. Accordingly, the 1985 comparative figures have been restated by transferring $8,784,276 from corporation loans receivable, $8,500,000 from term debt and other related accounts receivable and accounts payable balances to Development Funds.

On April 1, 1986 cash and short term investments of $90,911,063 were applied to reduce notes payable to $59,407,000.

BRITISH COLUMBIA DEVELOPMENT CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 1986

5. TERM DEBT

	1986	1985
Notes guaranteed by the Province of British Columbia:		
Payable in five equal annual instalments commencing March 5, 1988, with interest at 8.95% payable semi-annually	$ 64,300,000	$ 64,300,000
less: unamortized discount based on an effective interest rate of 15.75%	12,100,235	14,298,037
	52,199,765	50,001,963
Payable December 1, 1986, with interest at 16 7/8% payable semi-annually (U.S. $12,400,000)	17,515,000	17,180,200
Notes payable to the Province of British Columbia:		
Revolving credit facility, with floating interest rates currently averaging 10.8%	81,000,000	77,500,000
Payable March 27, 1993 with interest at 9.6% payable semi-annually	10,000,000	-
Loans payable to the Province of British Columbia pursuant to the Subsidiary Agreement on Industrial Development:		
Payable progressively as the Corporation sells or leases its Duke Point properties, with interest at 5 1/2%	13,000,000	13,000,000
Payable September 28, 1989, without interest	5,500,000	5,500,000
Payable progressively until October 16, 1990, with interest at 5 1/8%, adjusted annually	2,279,000	2,350,000
Other term debt	177,019	2,702,019
	$ 181,670,784	$ 168,234,182

6. CONTINGENT LIABILITIES

The Corporation, as part of its industrial development programs, is contingently liable as guarantor of indebtedness and performance of industrial enterprises for $1,657,250 (1985 - $1,250,000).

7. RELATED PARTY TRANSACTIONS

In the ordinary course of business, the Corporation enters into transactions with related parties including the Province of British Columbia, its agencies and other Crown corporations. Most of the Corporation's debt is borrowed from or guaranteed by the Province and the Corporation remains dependent on continued funding from this source.

BRITISH COLUMBIA EDUCATIONAL INSTITUTIONS CAPITAL FINANCING AUTHORITY

Province of British Columbia

Office of the
Auditor General
Province of British Columbia

8 Bastion Square
Victoria
British Columbia
V8V 1X4

AUDITOR'S REPORT

To the Chairman and Members of the
British Columbia Educational Institutions Capital Financing Authority, and

To the Minister of Finance
Province of British Columbia:

I have examined the statement of assets and liabilities of the British Columbia Educational Institutions Capital Financing Authority as at 31 March 1986 and the statement of sources and uses of funds for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Authority as at 31 March 1986 and the results of its operations for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Erma Morrison, F.C.A.
Auditor General

Victoria, British Columbia
20 May 1986

EXHIBIT A

BRITISH COLUMBIA EDUCATIONAL INSTITUTIONS CAPITAL FINANCING AUTHORITY

STATEMENT OF ASSETS AND LIABILITIES

AS AT 31 MARCH 1986

ASSETS

	1986	1985
Current		
Accrued interest receivable	$ 17,632,710	$ 17,167,169
Current portion of long-term loans receivable	6,986,500	-
Instalments to sinking funds receivable within one year	10,562,081	10,174,465
	35,181,291	27,341,634
Long-term loans receivable (note 3 and schedule 1)	408,855,581	403,587,535
Less accumulated sinking fund instalments and investment income	49,668,587	35,211,157
	359,186,994	368,376,378
	$ 394,368,285	$ 395,718,012

LIABILITIES

Current		
Accrued interest payable	$ 17,632,710	$ 17,167,169
Current portion of long-term debt	6,986,500	-
Instalments to sinking funds payable within one year	10,562,081	10,174,465
	35,181,291	27,341,634
Long-term debt (note 4)	408,855,581	403,587,535
Less: Sinking funds on deposit with the Minister of Finance of the Province of British Columbia (note 5)	49,668,587	35,211,157
	359,186,994	368,376,378
	$ 394,368,285	$ 395,718,012

The five accompanying notes and Schedule 1 are an integral part of these financial statements.

Approved by the Authority:

Hugh A. Curtis, Chairman

David L. Emerson, Secretary

EXHIBIT B

BRITISH COLUMBIA EDUCATIONAL INSTITUTIONS CAPITAL FINANCING AUTHORITY

STATEMENT OF SOURCES AND USES OF FUNDS

FOR THE YEAR ENDED 31 MARCH 1986

	1986	1985
Sources of Funds		
Long-term debentures issued	$ 12,490,662	$ 21,489,000
Interest on long-term loans receivable	56,098,713	54,055,422
Unrealized foreign exchange gain on long-term loans receivable	151,500	452,500
	68,740,875	75,996,922
Sinking funds Instalments received	10,184,038	9,374,114
Income on investments	4,312,559	3,333,771
	14,496,597	12,707,885
Less: Funds management fees (note 5)	39,167	32,641
	14,457,430	12,675,244
	$ 83,198,305	$ 88,672,166
Uses of Funds		
Long-term loans issued	$ 12,490,662	$ 21,489,000
Interest on long-term debt	56,098,713	54,055,422
Unrealized foreign exchange loss on long-term debt	151,500	452,500
	68,740,875	75,996,922
Net increase in sinking funds	14,457,430	12,675,244
	$ 83,198,305	$ 88,672,166

BRITISH COLUMBIA EDUCATIONAL INSTITUTIONS CAPITAL FINANCING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 1986

1. The Authority

The Authority was established by the Educational Institution Capital Finance Act, R.S.B.C. 1979, Chapter 102, as amended. Section 3 of the Act states "The purpose of the authority is to lend money to designated educational institutions to finance their capital expenditures".

The loans made by the Authority to the Educational Institutions are financed by, and have interest rates and maturity dates identical to, the borrowing of the Authority itself.

2. Significant accounting policies

a) Sinking fund instalments received from Educational Institutions in respect of their debt to the Authority, together with the investment income earned thereon, are set aside in sinking funds maintained by the Trustee, the Minister of Finance. These funds provide for retirement of the debt of the Authority at maturity.

b) Sinking fund investments

i) Long-term investments are valued at cost of acquisition adjusted by amortization of discounts and premiums on a straight-line basis over the remaining terms of the investments.

ii) Temporary investments are valued at the lower of the cost of acquisition or market value.

c) Foreign currency translation

Assets and liabilities denominated in foreign currency have been translated to Canadian dollars at the rate prevailing at the balance sheet date.

Unrealized gains and losses arising on foreign currency translation are not deferred and amortized as they are fully offsetting and have no effect on the net financial position of the Authority.

BRITISH COLUMBIA EDUCATIONAL INSTITUTIONS CAPITAL FINANCING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 1986

3. Long-term loans receivable

Long-term loans receivable of $410,447,500 (1985: $404,827,000) are redeemable on five months' notice, in whole or in part before maturity, at the option of the Chairman of the Authority. Long-term loans receivable of $5,188,000 (1985: $5,188,000) are redeemable on thirty days' notice, in whole or in part before maturity, at the option of the Chairman of the Authority. The remaining long-term loans receivable of $10,768,662 (1985: $3,747,000) are not redeemable before maturity.

Long-term loans receivable include U.S. $5,000,000 (1985: U.S. $5,000,000).

Details of long-term loans receivable are set out in Schedule 1.

4. Long-term debt

Held by:	1986	1985
Canada Pension Plan Investment Fund 9.41% to 17.51% debentures due 1998 through 2005	$ 402,436,000	$ 396,967,000
Province of British Columbia Pension Funds 10.875% to 11.75% debentures due 1989 and 1993	4,772,000	4,772,000
Province of British Columbia 9.75% to 13.5% debentures due 1989 through 1991	12,209,662	5,188,000
General public 16.875% debenture due 1986	6,986,500	6,835,000
	426,404,162	413,762,000
Less: Current portion of long-term debt	6,986,500	-
Instalments to sinking funds payable within one year	10,562,081	10,174,465
	$ 408,855,581	$ 403,587,535

Long-term debt includes U.S. $5,000,000 (1985: U.S. $5,000,000).

BRITISH COLUMBIA EDUCATIONAL INSTITUTIONS CAPITAL FINANCING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 1986

4. Long-term debt (continued)

Debentures issued to the Canada Pension Plan Investment Fund are redeemable on six months' notice, in whole or in part before maturity, at the option of the Minister of Finance of Canada, subject to certain restrictions.

Debentures issued to the Province of British Columbia of $5,188,000 (1985: $5,188,000) are redeemable on thirty days' notice, in whole or in part before maturity, at the option of the Minister of Finance of the Province of British Columbia. The remaining debentures issued to the Province of British Columbia of $7,021,662 (1985: Nil) are not redeemable before maturity.

Debt maturing in the next five fiscal years is as follows:

1987	$6,986,500
1988	-
1989	-
1990	4,213,000
1991	7,021,662

Repayment of this debt will be fully funded by sinking fund assets.

Sinking fund instalments due in the next five fiscal years are as follows:

1987	$10,562,081
1988	10,123,678
1989	10,123,678
1990	10,123,678
1991	9,832,838

The Province of British Columbia has unconditionally guaranteed the payment of principal and interest on $414,194,500 of the long-term debt of the Authority.

5. Sinking funds on deposit

	1986	1985
Cash and temporary investments	$ 33,317,031	$ 33,391,059
Long-term investments (Net realizable value $14,032,500 1985: $880,000)	14,000,000	1,000,000
Accrued interest	1,887,805	829,038
Other	474,935	-
	49,679,771	35,220,097
Less: Funds management fees payable	11,184	8,940
	$ 49,668,587	$ 35,211,157

BRITISH COLUMBIA EDUCATIONAL INSTITUTIONS CAPITAL FINANCING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 1986

5. Sinking funds on deposit (continued)

The cost of temporary investments is considered to approximate market value.

Funds management fees have been charged to the sinking funds of the Authority by the Minister of Finance for the year ended 31 March 1986, in accordance with Section 39(4) of the Financial Administration Act. These fees are based on the market value of sinking fund assets and are charged on a quarterly basis during the year.

Other assets consist of funds held in the Province's fiscal agency loan program sinking fund.

Included in long-term investments is a subordinated debenture of the Canadian Commercial Bank in the amount of $13 million. A court-ordered liquidation of the Canadian Commercial Bank is in process. However, the Authority is indemnified by the Province against any and all losses which might be incurred as a result of this investment.

SCHEDULE 1

BRITISH COLUMBIA EDUCATIONAL INSTITUTIONS CAPITAL FINANCING AUTHORITY
SCHEDULE OF LONG-TERM LOANS RECEIVABLE
AS AT 31 MARCH 1986

	1986	1985
University of British Columbia 9.41% to 17.51%, due 1986 to 2005, inclusive	$116,715,660	$107,978,000
Simon Fraser University 9.41% to 17.00%, due 1986 to 2004, inclusive	48,291,277	45,356,750
University of Victoria 9.41% to 17.00%, due 1986 to 2004, inclusive	30,137,975	29,243,750
Emily Carr College of Art and Design 10.49% to 16.875%, due 1986 to 2002, inclusive	6,492,105	6,481,569
Fraser Valley College 10.68% to 17.00%, due 1986 to 2005, inclusive	16,821,269	16,808,290
Pacific Vocational Institute 10.68% to 16.10%, due 1993 to 2004, inclusive	13,945,000	13,945,000
Douglas College 10.875% to 17.51%, due 1989 to 2004, inclusive	43,769,300	43,769,300
Camosun College 11.37% to 16.875%, due 1986 to 2004, inclusive	14,032,708	14,022,973
Vancouver Community College 10.92% to 17.51%, due 1993 to 2004, inclusive	54,143,000	54,143,000
Justice Institute of British Columbia 13.39% and 16.875%, due 1986 and 2000	1,088,010	1,073,094
Okanagan College 12.55% to 17.51%, due 2000 and 2001	10,220,000	10,220,000
Pacific Marine Training Institute 11.75% to 17.01%, due 1993 to 2004, inclusive	8,394,000	8,394,000

SCHEDULE 1 (continued)

BRITISH COLUMBIA EDUCATIONAL INSTITUTIONS CAPITAL FINANCING AUTHORITY
SCHEDULE OF LONG-TERM LOANS RECEIVABLE
AS AT 31 MARCH 1986

	1986	1985
East Kootenay Community College 12.01% to 17.01%, due 1989 to 2002, inclusive	$10,389,700	$ 10,389,700
Northwest Community College 11.75% and 13.18%, due 1993 and 2001	379,000	379,000
Selkirk College 11.65% to 16.53%, due 1993 to 2003, inclusive	3,594,000	3,594,000
Capilano College 11.65% to 17.00%, due 1993 to 2003, inclusive	15,056,000	15,056,000
Cariboo College 11.75% to 16.875%, due 1986 to 2003, inclusive	4,100,226	4,080,718
New Caledonia College 10.92% to 14.81%, due 1989 to 2004, inclusive	4,759,850	4,759,850
Northern Lights College 12.13% and 17.51%, due 1989 to 2004, inclusive	13,089,150	13,089,150
North Island College 11.37% and 17.01%, due 2001 and 2003	1,003,000	1,003,000
Malaspina College 11.53% to 16.875%, due 1986 to 2003, inclusive	2,584,432	2,576,356
British Columbia Institute of Technology 11.53% to 12.08%, due 1993 to 2005, inclusive	6,198,500	6,198,500
Kwantlen College 10.92%, due 2003	1,200,000	1,200,000
	$426,404,162	$413,762,000
Less: Current portion of long-term loans receivable	6,986,500	-
Instalments to sinking funds receivable within one year	10,562,081	10,174,465
	$408,855,581	$403,587,535

BRITISH COLUMBIA FERRY CORPORATION

THORNE
RIDDELL
Chartered Accountants



AUDITORS' REPORT

To the Lieutenant-Governor in Council
Province of British Columbia

We have examined the balance sheet of British Columbia Ferry Corporation as at March 31, 1986 and the statements of income, deficit and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Corporation as at March 31, 1986 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Thorne Riddell

Chartered Accountants

Victoria, Canada
May 29, 1986

BRITISH COLUMBIA FERRY CORPORATION

BALANCE SHEET AS AT MARCH 31, 1986

(expressed in thousands)

ASSETS

	1986	1985
CURRENT ASSETS		
Cash (Note 1)	$ 5,932	$ 11,943
Accounts receivable	1,521	800
Inventories (Note 2)	10,590	8,558
Prepayments and deposits	982	849
	19,025	22,150
RESERVED FUNDS (Notes 1 and 3)	12,260	7,817
FIXED ASSETS (Note 4)		
Ships, berths, buildings, equipment and land	546,648	477,874
Less accumulated depreciation	234,278	204,709
	312,370	273,165
	$ 343,655	$ 303,132

APPROVED BY THE BOARD

W.A. Duncan
Director

Director

LIABILITIES

	1986	1985
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 25,453	$ 17,939
Deferred revenue	1,900	1,675
Current portion of obligations under capital leases (Note 6)	1,025	-
	28,378	19,614
LONG-TERM DEBT (Note 5)	37,764	36,768
OBLIGATIONS UNDER CAPITAL LEASES (Note 6)	47,594	-
ACCRUED SICK LEAVE LIABILITY (Note 7)	5,067	5,218
	118,803	61,600

SHAREHOLDER'S EQUITY

SHARE CAPITAL		
Authorized		
1,000,000 shares without par value with a maximum consideration of $100,000,000		
Issued		
68,512 shares	6,851	6,851
CONTRIBUTED SURPLUS (Note 8)	250,401	250,401
DEFICIT	(32,400)	(15,720)
	224,852	241,532
RELATED PARTY TRANSACTION (Note 13)		
COMMITMENTS (Note 14)		
	$ 343,655	$ 303,132

BRITISH COLUMBIA FERRY CORPORATION

STATEMENT OF INCOME

YEAR ENDED MARCH 31, 1986

(expressed in thousands)

	1986	1985
Operating revenues		
Tolls	$ 108,652	$ 100,628
Catering	22,984	22,396
Other income (Note 9)	3,264	2,506
	134,900	125,530
Less cost of food and goods sold	9,190	8,993
	125,710	116,537
Operating expenses		
Salaries, wages and benefits	90,799	79,518
Fuel and lubricants	27,316	23,886
Materials, operating supplies and services	12,011	10,186
Contracted replacements, repairs and maintenance	10,036	5,263
Marketing, general and administrative	4,628	3,630
Charter fees	1,455	2,825
	146,245	125,308
Operating loss before subsidy	20,535	8,771
Province of British Columbia subsidy (Note 10)	40,000	43,000
Income from operations	19,465	34,229
Interest expense (Note 11)	7,132	5,177
INCOME BEFORE DEPRECIATION (Note 14)	12,333	29,052
Depreciation	29,013	31,064
INCOME (LOSS) FOR THE YEAR AFTER DEPRECIATION	($ 16,680)	($ 2,012)

BRITISH COLUMBIA FERRY CORPORATION

STATEMENT OF DEFICIT

YEAR ENDED MARCH 31, 1986

(expressed in thousands)

	1986	1985
Deficit at beginning of year	$ 15,720	$ 13,708
Loss for the year after depreciation	16,680	2,012
DEFICIT AT END OF YEAR	$ 32,400	$ 15,720

BRITISH COLUMBIA FERRY CORPORATION

STATEMENT OF CHANGES IN FINANCIAL POSITION

YEAR ENDED MARCH 31, 1986

(expressed in thousands)

SOURCES (USES) OF CASH	1986	1985
CASH FROM OPERATIONS (Note 12)	$ 18,032	$ 28,355
FINANCIAL ACTIVITIES		
Capital leases	48,619	-
Cash reserved for funding accrued sick leave liability	(371)	(4,172)
Sinking fund payments and appreciation	(4,072)	(3,645)
	44,176	(7,817)
INVESTMENT ACTIVITIES		
Fixed asset additions	(38,759)	(12,456)
Ships under capital lease	(29,460)	-
	(68,219)	(12,456)
INCREASE (DECREASE) IN CASH	(6,011)	8,082
CASH AT BEGINNING OF YEAR	11,943	3,861
CASH AT END OF YEAR	$ 5,932	$ 11,943

Note: In this statement cash includes only cash available for day to day operations and does not include Reserved Funds cash.

BRITISH COLUMBIA FERRY CORPORATION

SUMMARY OF ACCOUNTING POLICIES

YEAR ENDED MARCH 31, 1986

In accordance with Section 8(7) of the Ferry Corporation Act the financial statements of the Corporation are prepared in accordance with generally accepted accounting principles. Significant accounting policies adopted in the preparation of these financial statements are as follows:

Inventories -

Inventories are valued at the lower of cost and current replacement cost.

Long-Term Disability -

Amounts paid to the Superannuation Branch of the Public Service Commission under the Long-Term Disability Plan are accounted for by the Corporation on the basis of accruing in the financial statements that portion estimated to be payable to employees until retirement for individual disability with the balance of the amounts paid being included in prepaid expenses.

Fixed assets -

Acquired from the Province of British Columbia effective January 1, 1977:

(a) Ships

Ships, which comprise part of the total assets acquired from the Province effective January 1, 1977 by Order-In-Council dated December 16, 1976 and transferred at an assigned value of $1, have been revalued by the Corporation and are reflected in the accompanying financial statements at their estimated depreciated replacement value as at January 1, 1977.

Three ships presently under charter by the Province until 1994 are subchartered to the Corporation for the same period at an annual cost of $1 each. Under the terms of the subcharter agreement with the Province, the Corporation may in 1994 request that the Province exercise its option to purchase these ships at its own expense in which case clear title to the ships will be transferred to the Corporation. Accordingly, these ships are reflected as capital assets of the Corporation in the accompanying financial statements and are stated at their estimated depreciated replacement value as at January 1, 1977.

Accounting Policies

Fixed Assets - (continued)

(b) Berths, buildings and equipment

Berths, buildings and equipment transferred at an assigned value of $1 are reflected in the accompanying financial statements at their estimated depreciated replacement value as at January 1, 1977.

Additions and disposals subsequent to January 1, 1977:

The costs of major replacements, additions, extensions and improvements are capitalized in the fixed asset accounts. The costs of maintenance, repairs, minor renewals or replacements are charged against income. On retirement or disposal of fixed assets, the costs thereof and the related accumulated depreciation are eliminated from the accounts and any gains or losses are reflected in the statement of income.

On October 1, 1983 the remaining buildings and equipment at Deas Dock facility, not acquired from the Province on January 1, 1977 were transferred at an assigned value of $1. These assets are reflected in the accompanying financial statements at their estimated depreciated replacement value as at October 1, 1983 based upon an appraisal made by Universal Appraisal Company Limited as at that date.

Depreciation -

Fixed assets are depreciated on the straight line method based upon the following useful lives:

Ships	25 years
Berths	5 - 10 years
Buildings and equipment	4 - 25 years

Leases -

A lease which transfers substantially all of the benefits and risks incidental to the ownership of property is accounted for as if it were an acquisition of an asset and the incurrence of an obligation at the inception of the lease. All other leases are accounted for as operating leases wherein rental payments are expensed as incurred. Assets recorded under capital leases are amortized on a straight-line basis over their useful lives.

Accounting Policies

Amortization of long-term debt discount and issue costs -

Promissory note discount is amortized on a compound interest method over the term of the debt. Issue costs for promissory notes and capital leases are amortized on a straight-line basis over the term of the debt.

Provision for annual refit costs -

The Corporation provides for ship refit expense by charging against income the anticipated costs over the period between refits.

Comparative Figures -

Certain comparative figures have been reclassified to conform with the presentation adopted for the current year.

BRITISH COLUMBIA FERRY CORPORATION

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 1986

1. CASH AND SHORT-TERM INVESTMENTS

Funds, other than those required for immediate settlement of liabilities, are invested in short-term commercial securities authorized pursuant to the terms and provisions of the Financial Administration Act of British Columbia. The investments are arranged through the Ministry of Finance of the Province.

2. INVENTORIES

	1986	1985
	(expressed in thousands)	
Spare components, parts and supplies	$ 8,311	$ 6,987
Fuel and lubricants	1,480	1,153
Goods for resale and catering supplies	799	418
	$ 10,590	$ 8,558

Notes

3. RESERVED FUNDS

The Corporation has segregated assets that are required for specific purposes or as required by long-term debt obligations.

	1986	1985
	(expressed in thousands)	
Sinking funds for long-term debt (Note 5)		
Administered by the Province	$ 724	$ 345
Administered by the Corporation	6,993	3,300
	7,717	3,645
Fund for accrued sick leave liability (Note 7)	4,543	4,172
	$ 12,260	$ 7,817

4. FIXED ASSETS

	1986			1985
	(expressed in thousands)			
	Cost or Appraised Value	Accumulated Depreciation	Net Book Value	Net Book Value
Ships owned	$ 293,044	$ 117,158	$ 175,886	$ 177,253
Ships under capital lease	102,711	30,637	72,074	50,441
Berths, buildings and equipment	142,588	86,483	56,105	43,543
Land	5,444	-	5,444	723
Construction in progress	2,861	-	2,861	1,205
	$ 546,648	$ 234,278	$ 312,370	$ 273,165

Notes

5. LONG-TERM DEBT

	1986	1985
	(expressed in thousands)	
Long-term notes issued by the Corporation		
8.95% Promissory notes (effective rate of 15.75%), are repayable in five equal annual instalments of $5.7 million commencing March 5, 1988	$ 28,500	$ 28,500
12.08% Promissory note (effective rate of 12.44%) due September 9, 2003 is repayable by annual sinking fund payments of $322,492 commencing September 9, 1984	14,758	14,758
	43,258	43,258
Less Unamortized discount and issue costs	5,494	6,490
	$ 37,764	$ 36,768

Principal and sinking fund payments due in each of the next five years:

1987	1988	1989	1990	1991
$ 322,492	$ 6,022,492	$ 6,022,492	$ 6,022,492	$ 6,022,492

The Province of British Columbia unconditionally guarantees the payment of principal and interest on the Promissory notes.

Notes

6. OBLIGATIONS UNDER CAPITAL LEASES

The Corporation has obligations under capital leases for the M.V. "Queen of Surrey", M.V. "Quinsam" and automotive equipment.

	(expressed in thousands)
Total minimum lease payments are:	
M.V. "Queen of Surrey" implicit interest rate 8.685%	$ 95,065
M.V. "Quinsam" implicit interest rate 13.6%	11,007
Automotive equipment implicit interest rate 10%	165
	$ 106,237
Payable in fiscal year ending in	
1987	$ 5,518
1988	5,518
1989	5,509
1990	5,459
1991	5,459
1992 and subsequent	78,774
	106,237
Less executory costs and interest	57,618
Present value of net minimum capital lease payments	48,619
Less current portion	1,025
	$ 47,594

7. ACCRUED SICK LEAVE LIABILITY

On September 1, 1978 the Corporation introduced short-term illness and injury and long-term disability plans and as of that date all employees ceased accruing sick leave credits. Under the collective agreement with the employees, in the event of illness, the accumulated sick time may be withdrawn prior to retirement, and on retirement, any balance remaining is payable in cash at 50% of accredited time.

An actuarial evaluation by Reed Stenhouse Associates Limited as at March 31, 1985 determined that the recorded liability was $1,569,000 in excess of that required. This excess is being reflected in operations over three years ending March 31, 1987.

Funds reserved for liquidation of this liability are invested in short-term commercial security (Notes 1 and 3).

Notes

8. CONTRIBUTED SURPLUS

	1986	1985
	(expressed in thousands)	
Excess of estimated depreciated replacement value over assigned value of $1 of assets acquired from the Province of British Columbia		
- Ships, berths, buildings and equipment effective January 1, 1977	$ 249,674	$ 249,674
- Buildings and equipment effective October 1, 1983	727	727
	$ 250,401	$ 250,401

9. OTHER INCOME

	1986	1985
	(expressed in thousands)	
Parking and ancilliary traffic revenue	$ 1,170	$ 947
Interest earned on funds in bank and short-term investments	2,094	1,559
	$ 3,264	$ 2,506

10. PROVINCIAL SUBSIDY

The Corporation receives a subsidy from the Province of British Columbia which is determined annually.

Included in fixed assets as "ships under capital lease" are three ships leased from the Province at an annual cost of $1 each. The annual cost of these charters to the Province is $4,819,800. In addition the Corporation utilizes Crown land for terminals and highway access without rental or property taxes. The value of these benefits has not been determined. The Corporation, as an agent of the Crown, is not liable to taxation, including taxation on improvements, except insofar as the Crown is liable.

Notes

11. INTEREST EXPENSE

	1986	1985
	(expressed in thousands)	
Interest expense, amortization of promissory note discount and amortization of debt issue cost on:		
- long-term debt and capital leases	$ 6,329	$ 5,171
- short-term borrowings	803	6
	$ 7,132	$ 5,177

12. CASH FROM OPERATIONS

	1986	1985
	(expressed in thousands)	
Loss for the year after depreciation	$(16,680)	$(2,012)
Items not involving cash		
Depreciation	29,013	31,064
Amortization of promissory note discount and debt issue costs	997	860
Increase (decrease) in accrued sick leave liability	(151)	(626)
Cash generated from continuing operations	13,179	29,286
Cash generated from (used for) operating working capital		
Accounts receivable	(721)	(295)
Inventories	(2,032)	695
Prepayments and deposits	(133)	(266)
Accounts payable and accrued liabilities	7,514	(1,195)
Deferred revenue	225	130
Cash generated from operations	$ 18,032	$ 28,355

Notes

13. RELATED PARTY TRANSACTION

On October 6, 1985 the Corporation acquired the operation of all saltwater routes previously operated or subsidized by the Ministry of Transportation and Highways for the Province of British Columbia. The acquisition included the following assets for the price indicated:

	(expressed in thousands)
Terminals	$ 20,678
Vessels	33,000
Spare machinery and equipment	713
Other	609
	$ 55,000
Vessel under capital lease	$ 5,542

The acquisition was partially funded by the sale and lease back of the M.V. "Queen of Surrey" for net proceeds of $42.9 million. The original cost and accumulated depreciation of this vessel has been reclassified from ships owned to ships under capital lease.

The M.V. "Quinsam" was acquired by assuming the existing capital lease obligation at present value of $5.5 million.

14. COMMITMENTS

Of the income before depreciation, the Corporation has scheduled capital maintenance and extra-ordinary operating expenditures for modification and upgrading of:

	(expressed in thousands)
Ships	$ 6,295
Life Saving Equipment	717
Terminals	1,555
Cash Handling Facilities	552
Other Equipment and Facilities	20
	$ 9,139

As at March 31, 1986 contracts awarded on a number of these projects totalled $5.7 million, of which $4.9 million remains outstanding.

BRITISH COLUMBIA FOOD EXHIBITIONS LTD.

Touche Ross & Co.
Chartered Accountants

AUDITORS' REPORT

The Shareholder
British Columbia Food Exhibitions Ltd.

We have examined the balance sheet of British Columbia Food Exhibitions Ltd. as at March 31, 1986 and the statements of income and deficit and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Company as at March 31, 1986 and the results of its operations and the changes in its financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Touche Ross & Co.

Victoria, B. C.
June 26, 1986

Chartered Accountants

P O BOX 1475 POSTAL STATION 'E' 500-880 DOUGLAS STREET, VICTORIA, BRITISH COLUMBIA V8W 2X2
TELEPHONE (604) 383-1174-388-7511

Touche Ross & Co.

BRITISH COLUMBIA FOOD EXHIBITIONS LTD.
(Incorporated Under the Company Act of British Columbia)

BALANCE SHEET
AS AT MARCH 31, 1986

	Cost	Accumulated Depreciation	1986	1985
ASSETS				
Current				
Cash			$354,394	$ 18,554
Accounts receivable			341,154	156
Prepaid deposits			15,505	3,000
			711,053	21,710
Fixed				
Furniture and equipment	$53,496	$9,618	43,878	-
			$754,931	$ 21,710
LIABILITIES				
Current				
Accounts payable and accrued liabilities			$ 85,300	$ 2,484
Deferred revenue net of costs (Schedule A)			671,794	21,389
SHAREHOLDER'S EQUITY				
Capital Stock				
Authorized				
12,600 Preference shares, Series A, par value $50 each				
150,000 Common Shares of no par value				
Issued and fully paid				
11,027 Preference shares			551,350	551,350
101,750 Common shares			41,155	41,155
			592,505	592,505
Deficit			(594,668)	(594,668)
			(2,163)	(2,163)
			$754,931	$ 21,710

Approved by the Directors

..... Director

..... Director

Touche Ross & Co.

BRITISH COLUMBIA FOOD EXHIBITIONS LTD.

STATEMENT OF INCOME AND DEFICIT
FOR THE YEAR ENDED MARCH 31, 1986

	1986	1985
Revenue		
Interest	$ -	$ 310
Expenses		
Administration	-	2,815
Net income (loss) for the year	-	(2,505)
Deficit at beginning of year	(594,668)	(592,163)
Deficit at end of year	($594,668)	($594,668)

Touche Ross & Co.

BRITISH COLUMBIA FOOD EXHIBITIONS LTD.

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31, 1986

	1986	1985
Operating activities		
Government grants received	$900,000	$25,000
Deposits received re rental of space	200,185	-
Interest income	4,675	154
Deferred costs paid	(700,536)	(3,611)
Administrative expenses	(2,483)	(331)
Prepaid deposits	(12,505)	(3,000)
	389,336	18,212
Investing activities		
Purchase of fixed assets	(53,496)	-
Net change in cash during the year	335,840	18,212
Cash at beginning of year	18,554	342
Cash at end of year	$354,394	$18,554

Touche Ross & Co.

BRITISH COLUMBIA FOOD EXHIBITIONS LTD.

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1986

1. Summary of significant accounting policies

 a) Fixed assets and depreciation

 Fixed assets are carried at cost. Depreciation is based on the average useful life of the assets. Furniture and equipment are depreciated using the straight-line method at rates of 20% or 33% calculated on original cost less estimated residual value. When assets are retired, sold or otherwise disposed of, the related cost and accumulated depreciation are removed from the accounts.

 b) Revenue and expense recognition

 The Company's transactions during the current year relate to The Food Pacific '86 Trade Show to be held August 29th to September 2nd, 1986. Recognition of the revenue and expenses has been deferred until completion of the show. The full amount contracted for space rental has been recorded at the time the contract was agreed.

2. Income taxes

 As a Corporation wholly owned by the Province of British Columbia, the Company is exempt from income taxes under Section 149 of the Income Tax Act.

3. B. C. Pavilion

 The Company is currently negotiating with British Columbia Building Corporation for the construction and lease of a pavilion. Although the terms of the agreement are not finalized the Company expects to pay $65,000 in the first year of the five year lease.

Touche Ross & Co.

SCHEDULE A

BRITISH COLUMBIA FOOD EXHIBITIONS LTD.

SCHEDULE OF DEFERRED REVENUE NET OF COSTS
AS AT MARCH 31, 1986

	1986	1985
Deferred Revenue		
B. C. Government Grants	$ 925,000	$25,000
Space rentals	541,340	-
Interest	4,519	-
	1,470,859	25,000
Deferred costs		
Professional services	72,353	-
Management salaries and travel	78,978	3,611
Promotion and marketing	421,003	-
Show production	97,464	-
Administration	119,649	-
Depreciation	9,618	-
	799,065	3,611
Deferred revenue net of costs	$ 671,794	$21,389

BRITISH COLUMBIA HEALTH CARE RESEARCH FOUNDATION

Province of
British Columbia

Office of the
Auditor General
Province of British Columbia

8 Bastion Square
Victoria
British Columbia
V8V 1X4

AUDITOR'S REPORT

To the Chairman and Members of the
British Columbia Health Care Research Foundation, and

To the Minister of Health
Province of British Columbia:

I have examined the balance sheet of the British Columbia Health Care Research Foundation as at 31 March 1986 and the statement of revenue and expenditure and surplus for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Foundation as at 31 March 1986 and the results of its operations for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Erma Morrison

Erma Morrison, F.C.A.
Auditor General

Victoria, British Columbia
17 June 1986

BRITISH COLUMBIA HEALTH CARE RESEARCH FOUNDATION

BALANCE SHEET

AS AT 31 MARCH 1986

	1986	1985
ASSETS		
Cash and short-term investments	$1,561,217	$1,743,230
Accrued interest	35,062	61,755
Contributions receivable - Province of British Columbia	250,000	-
	$1,846,279	$1,804,985
LIABILITIES		
Accounts payable	$ 1,849	$ 3,358
Grants payable	1,703,050	1,735,296
SURPLUS	141,380	66,331
	$1,846,279	$1,804,985

The accompanying notes are an integral part of these financial statements.

Approved by the Board

Director

Director

BRITISH COLUMBIA HEALTH CARE RESEARCH FOUNDATION

STATEMENT OF REVENUE AND EXPENDITURE AND SURPLUS

FOR THE YEAR ENDED 31 MARCH 1986

	1986	1985
REVENUE		
Contributions from the Lottery Fund	$3,405,000	$3,015,000
Interest	243,208	328,855
Donations	100	-
	3,648,308	3,343,855
EXPENDITURE		
Grants (Note 3)		
- Research	2,714,392	2,616,965
- Equipment	85,625	98,865
- Emergency Funding	89,360	68,567
- Development	2,311	40,648
	2,891,688	2,825,045
Research Fellowships	198,283	268,562
Scholarship Awards (Note 4)	304,013	282,953
Administrative Expenses	179,275	172,678
	3,573,259	3,549,238
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURE	75,049	(205,383)
SURPLUS AT BEGINNING OF YEAR	66,331	271,714
SURPLUS AT END OF YEAR	$ 141,380	$ 66,331

BRITISH COLUMBIA HEALTH CARE RESEARCH FOUNDATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 1986

1. NATURE OF THE FOUNDATION

The Foundation is incorporated under the Society Act of British Columbia. The objects of the Foundation are to assist and collaborate with organizations conducting research in the field of health care in the Province of British Columbia; to co-operate with community facilities or organizations concerned with the general health of communities in the Province; and, to accept and receive such grants, donations, and other funds as may be deemed appropriate for use in the carrying out of the objects of the Foundation.

2. SIGNIFICANT ACCOUNTING POLICIES

Grants and fellowships are expensed in the year they are awarded.

Scholarship awards are renewable for three additional years, depending on the submission of annual progress reports and applications for renewal. Only current year awards are expensed during the year.

3. GRANTS

The Foundation awarded grants to support health care research, equipment, development and emergency projects to the organizations listed below. The grants are paid on a quarterly basis and are administered and disbursed by these organizations as expenses are incurred. Amounts which remain unexpended at project completion or unexpended due to project cancellation or alternate funding are returnable to the Foundation.

BRITISH COLUMBIA HEALTH CARE RESEARCH FOUNDATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 1986

3. GRANTS (Continued)

	TOTAL GRANTS	
	1986	1985
Arthritis Society	$ 1,000	$ 900
B.C. Children's Hospital	21,000	21,000
Cancer Control Agency of B.C.	147,270	107,700
Glendale Lodge	-	3,684
Lions Gate Hospital	25,000	25,000
New View Society	2,000	-
Queen Alexandra Hospital for Children	29,000	-
Royal Jubilee Hospital	5,000	-
Simon Fraser Health Unit	35,000	3,000
Simon Fraser University	71,970	112,474
University of British Columbia	2,469,398	2,490,049
University of Victoria	96,000	132,056
Victoria General Hospital	-	1,064
	$2,902,638	$2,896,927
Less: Returned Grants	10,950	71,882
	$2,891,688	$2,825,045

4. COMMITMENTS

The estimated cost to complete the funding of all outstanding scholarship grants is $542,952 (1985 - $585,000).

BRITISH COLUMBIA HERITAGE TRUST

Province of British Columbia

Office of the
Auditor General
Province of British Columbia

8 Bastion Square
Victoria
British Columbia
V8V 1X4

AUDITOR'S REPORT

To the Chairman and Directors of the Board of the
British Columbia Heritage Trust, and

To the Provincial Secretary and Minister of Government Services,
Province of British Columbia:

I have examined the balance sheet of the British Columbia Heritage Trust as at 31 March 1986 and the statements of revenue, expenditure and surplus and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Trust as at 31 March 1986 and the results of its operations for the year then ended in accordance with the accounting policies set out in note 2 to the financial statements, applied on a basis consistent with that of the preceding year.

Erma Morrison

Erma Morrison, F.C.A.
Auditor General

Victoria, British Columbia
18 June 1986

BRITISH COLUMBIA HERITAGE TRUST

BALANCE SHEET

AS AT 31 MARCH 1986

	1986	1985
ASSETS		
Cash and short-term deposits	$1,642,547	$1,779,904
Advance	500	500
Accrued interest receivable	53,067	49,339
Loan receivable	1,000	1,000
Mortgages receivable	99,856	151,790
Properties (note 3)	1,144,444	1,034,868
	$2,941,414	$3,017,401
LIABILITIES		
Accounts payable		
Trade	$ 16,319	$ 12,747
Province of British Columbia	2,913	7,424
	19,232	20,171
SURPLUS	2,922,182	2,997,230
	$2,941,414	$3,017,401

COMMITMENTS (note 6)

The accompanying notes are an integral part of these financial statements.

Approved by the Board:

M. F. Patterson, Chairman

Charles Nash, Director

BRITISH COLUMBIA HERITAGE TRUST

STATEMENT OF REVENUE, EXPENDITURE AND SURPLUS

FOR THE YEAR ENDED 31 MARCH 1986

	1986	1985
REVENUE		
Grant from British Columbia Lottery Fund	$1,250,000	$1,250,000
Investment income	210,973	267,154
Esso Heritage Brick Program (note 4)	215,680	-
Donations and miscellaneous revenue	2,342	1,071
	1,678,995	1,518,225
EXPENDITURE		
Grants - Archaeology	112,000	85,596
- Commemorative Monuments	7,200	-
- Conferences	13,140	8,650
- Heritage Area Revitalization Program	266,570	310,489
- Other	60,704	77,695
- Planning and Inventory Assistance	247,549	146,184
- Publications Assistance	61,644	96,435
- Religious Buildings	88,559	86,541
- Restoration	196,277	274,830
- Scholarships	15,000	22,500
- Student Employment	212,744	212,561
- Transportation Artifacts	231,645	70,750
	1,513,032	1,392,231
Administration	74,811	78,793
Esso Heritage Brick Program	65,546	-
Operating expenses	63,451	74,275
Printing and public relations	37,203	48,629
	1,754,043	1,593,928
EXCESS OF EXPENDITURE OVER REVENUE FOR THE YEAR	(75,048)	(75,703)
SURPLUS - BEGINNING OF YEAR	2,997,230	3,072,933
SURPLUS - END OF YEAR	$2,922,182	$2,997,230

BRITISH COLUMBIA HERITAGE TRUST

STATEMENT OF CHANGES IN FINANCIAL POSITION

FOR THE YEAR ENDED 31 MARCH 1986

	1986	1985
SOURCE OF FUNDS		
Decrease in mortgages receivable	$ 51,934	$ 1,992
Decrease in accounts and accrued interest receivable	-	9,135
Increase in accounts payable	-	4,041
	51,934	15,168
USE OF FUNDS		
Excess of expenditure over revenue for the year	75,048	75,703
Increase in accrued interest receivable	3,728	-
Additions to property	109,576	129,278
Decrease in accounts payable	939	-
	189,291	204,981
DECREASE IN FUNDS FOR THE YEAR	(137,357)	(189,813)
FUNDS AT BEGINNING OF YEAR	1,779,904	1,969,717
FUNDS AT END OF YEAR	$1,642,547	$1,779,904
COMPRISED OF:		
Cash and short-term deposits	$1,642,547	$1,779,904

BRITISH COLUMBIA HERITAGE TRUST

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 1986

1. THE TRUST

The British Columbia Heritage Trust is a Crown Corporation incorporated under the Heritage Conservation Act, R.S.B.C. 1979, Chapter 165, and is an agent of the Crown. The object of the Trust is to encourage and facilitate the protection and conservation of heritage property in the Province.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with generally accepted accounting principles, except as modified by note 2(b) below. Significant accounting policies followed in the preparation of these financial statements were:

(a) Property and Depreciation

All costs incurred for the acquisition and restoration of property of the Trust are capitalized. Donated property is recorded at appraised value at the time of its receipt.

Due to the heritage nature of the properties, no provision is made for depreciation.

(b) Esso Heritage Brick Program (note 4)

The revenue and related expenditures of this program have been recorded on a cash basis.

3. PROPERTIES

	1986	1985
Land and Buildings		
Beachgrove	$ 121,185	$ 121,185
Hat Creek Ranch	534,675	534,675
Keremeos Grist Mill	295,784	218,367
Vallican Archaeological Site	32,159	-
	983,803	874,227
Machinery and Equipment		
C.P. Railway Business Car #19	47,041	47,041
Machinery Artifacts	113,600	113,600
	160,641	160,641
	$1,144,444	$1,034,868

BRITISH COLUMBIA HERITAGE TRUST

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 1986

4. ESSO HERITAGE BRICK PROGRAM

On 18 April 1985 the Trust entered into an agreement whereby Imperial Oil Limited, as an agent of the Trust, undertook to solicit and raise funds for the Trust from the public through a program to be known as the Esso Heritage Brick Program. According to this program a subscriber, for a tax-deductible donation, is entitled to have his name engraved on a brick which is then permanently laid in the Roundhouse Courtyard in Vancouver. The bricks are offered to the public by Imperial through its own and other selected outlets. The net proceeds received by the Trust from the program are to be used for the protection and conservation of transportation artifacts.

The Trust has recognized the revenue generated by this program on a cash basis. The number of bricks that have been subscribed for has not been determined, nor has the amount of revenue collected by Imperial but not yet remitted to the Trust. During the current year, the Trust has paid out grants of $122,295 from this program and these payments are included in Grants - Transportation Artifacts.

5. ADMINISTRATIVE COSTS

The Ministry of Provincial Secretary and Government Services provides certain staffing, accommodation and administrative services for the Trust without charge. The costs of providing these services for the year ended 31 March 1986 amounted to approximately $172,000 (1985 - $170,000).

6. COMMITMENTS

The Trust had the following commitments at 31 March 1986:

	1986	1985
Grants	$1,937,077	$2,018,965
Other	19,051	28,470
	$1,956,128	$2,047,435

7. COMPARATIVE FIGURES

Certain 1985 amounts have been reclassified to conform with the presentation adopted in 1986, with no resultant effect on surplus.

BRITISH COLUMBIA HOUSING AND EMPLOYMENT DEVELOPMENT FINANCING AUTHORITY

Province of British Columbia

Office of the
Auditor General
Province of British Columbia

8 Bastion Square
Victoria
British Columbia
V8V 1X4

AUDITOR'S REPORT

To the Chairman and Members of the
British Columbia Housing and Employment Development
Financing Authority, and

To the Minister of Finance
Province of British Columbia:

I have examined the statement of assets and liabilities of the British Columbia Housing and Employment Development Financing Authority as at 31 March 1986 and the statements of revenue, expenditure and accumulated balance, and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Authority as at 31 March 1986 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Erma Morrison

Erma Morrison, F.C.A.
Auditor General

Victoria, British Columbia
2 June 1986

EXHIBIT A

BRITISH COLUMBIA HOUSING AND EMPLOYMENT DEVELOPMENT FINANCING AUTHORITY
STATEMENT OF ASSETS AND LIABILITIES
AS AT 31 MARCH 1986

ASSETS

	1986	1985
Cash and temporary investments	$ 17,024,485	$ 213,691
Accrued interest receivable	246,539	9,400,107
Notes receivable (note 3)	135,339,163	171,448,363
Unamortized debt issue expenses	-	886,511
	$152,610,187	$181,948,672

LIABILITIES AND ACCUMULATED BALANCE

Due to the Province of British Columbia	$ 99,075	$ 77,720
Accounts payable	62,165	50,714
Accrued interest payable	11,598,938	14,513,311
Term debt (note 4)	137,838,400	165,171,100
Accumulated balance (note 5)	3,011,608	2,135,827
	$152,610,187	$181,948,672

The six accompanying notes are an integral part of these financial statements.

Approved by the Authority:

Hugh A. Curtis, Chairman

David L. Emerson, Secretary

EXHIBIT B

BRITISH COLUMBIA HOUSING AND EMPLOYMENT DEVELOPMENT FINANCING AUTHORITY
STATEMENT OF REVENUE, EXPENDITURE AND ACCUMULATED BALANCE
FOR THE YEAR ENDED 31 MARCH 1986

	1986	1985
Revenue		
Interest income		
- temporary investments	$ 484,981	$ 314,674
- notes receivable	18,817,724	19,784,125
	19,302,705	20,098,799
Expenditure		
Administrative costs	42,874	35,090
Amortization of debt issue expenses	886,511	886,511
Interest on term debt	17,497,539	17,827,827
	18,426,924	18,749,428
Excess of Revenue over Expenditure	875,781	1,349,371
Accumulated Balance, Beginning of Year	2,135,827	786,456
Accumulated Balance, End of Year	$ 3,011,608	$ 2,135,827

EXHIBIT C

BRITISH COLUMBIA HOUSING AND EMPLOYMENT DEVELOPMENT FINANCING AUTHORITY
STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED 31 MARCH 1986

	1986	1985
Operating Transactions		
Excess of Revenue over Expenditure	$ 875,781	$ 1,349,371
Add Non-cash Item:		
Amortization of debt issue expenses	886,511	886,511
Cash Generated from (Used for):		
Accrued interest payable	(2,914,373)	10,169,584
Due to/from Province of British Columbia	21,356	168,520
Accrued interest receivable	9,153,568	(9,151,882)
Accounts payable	11,451	(80,752)
Derived from Operations	8,034,294	3,341,352
Financing Transactions		
Sources:		
Redemption of note receivable	36,109,200	10,815,802
Uses:		
Redemption of term debt	27,332,700	19,825,300
Debt issue expenses	-	427
	27,332,700	19,825,727
Derived from (Used for) Financing Transactions	8,776,500	(9,009,925)
Increase (Decrease) in Cash and Temporary Investments	16,810,794	(5,668,573)
Cash and Temporary Investments:		
Balance, Beginning of Year	213,691	5,882,264
Balance, End of Year	$ 17,024,485	$ 213,691

BRITISH COLUMBIA HOUSING AND EMPLOYMENT DEVELOPMENT FINANCING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1986

1. The Authority

The Authority was established on 14 October 1982 by the Housing and Employment Development Financing Act, S.B.C. 1982 Chapter 34. Section 3 of the Act states that "The purposes of the authority are to create employment by financing housing and other capital projects in British Columbia, and any other programs the committee considers advisable, and to raise money for those purposes by the issue of housing and development bonds".

2. Significant accounting policy

Debt issue expenses

Expenses related to bond issues of the Authority are deferred and amortized over the life of the bonds.

3. Notes receivable

		1986	1985
British Columbia Development Corporation:			
Maturity	Rate		
15 December 1986	12.25%	$ 5,000,000	$ 5,000,000
22 February 1987	11.75%	1,000,000	1,000,000
31 December 1987 Interest at an annual rate determined from time to time by the Minister of Finance (current rate 11.15%).		129,339,163	165,448,363
		$135,339,163	$171,448,363

The above notes are redeemable prior to maturity in whole or part at the option of the British Columbia Development Corporation.

$90,969,572 of the note receivable maturing 31 December 1987 was redeemed on 1 April 1986.

The Province of British Columbia has unconditionally guaranteed the payment of principal and interest of the notes receivable.

BRITISH COLUMBIA HOUSING AND EMPLOYMENT DEVELOPMENT FINANCING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1986

4. **Term debt**

Series	Rate	Maturity	1986	1985
Unpresented debentures matured 31 March 1986			$131,838,400	$ -
1-R	10.25%	31 March 1986	-	103,826,100
1-T	9.25%	31 March 1986	-	17,247,500
1-C	10.25%	31 March 1986	-	31,474,700
1-E	10.25%	31 March 1986	-	3,285,400
1-F	10.25%	31 March 1986	-	3,337,400
HED-A1	12.25%	15 December 1986	5,000,000	5,000,000
HED-A2	11.75%	22 February 1987	1,000,000	1,000,000
			$137,838,400	$165,171,100

Funds required for the repayment of the matured debentures will be provided by cash and temporary investments, an early partial redemption of the note receivable maturing 31 December 1987 (see Note 3) and borrowings from the Province of British Columbia. An agreement between the Authority and the Province, enabling the Authority to borrow up to $40 million, was signed on 7 March 1986.

Series HED-A1 and HED-A2 are redeemable prior to maturity in whole or in part at the option of the bondholders subject to an interest penalty of the lesser of the term remaining or six months.

The Province of British Columbia has unconditionally guaranteed payment of principal and interest on the term debt.

5. **Accumulated balance**

As stated in note 3, the interest rate on the note receivable due in December 1987 will be determined by the Minister of Finance from time to time. It is anticipated the interest rate will be sufficient to recover all related issue and administrative costs of the Authority. It is also anticipated that the accumulated excess of revenue over expenditure of the Authority will be fully absorbed by future costs.

6. **Comparative figures**

Certain 1985 comparative figures have been reclassified to conform to the presentation adopted in 1986.

BRITISH COLUMBIA HOUSING MANAGEMENT COMMISSION



Peat, Marwick, Mitchell & Co.
Chartered Accountants
2400 - 1055 West Georgia Street
P.O. Box 11150, Royal Centre
Vancouver, B.C. V6E 3P3
Telephone: (604) 662-5500
Telecopier: (604) 662-5576
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AUDITORS' REPORT

To the Chairman
British Columbia Housing Management Commission

We have examined the combined balance sheet of the Province of British Columbia, Projects and Programs Managed by British Columbia Housing Management Commission, as at December 31, 1985 and the combined statements of revenue and expenditure and Province's account and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the combined financial position of the projects and programs as at December 31, 1985 and the combined results of their operations and changes in their financial position for the year then ended in accordance with the accounting policies described in note 1 to the financial statements applied on a basis consistent with that of the preceding year.

Vancouver, Canada
April 30, 1986

Peat, Marwick, Mitchell & Co.
Chartered Accountants

PROVINCE OF BRITISH COLUMBIA

PROJECTS AND PROGRAMS MANAGED BY
BRITISH COLUMBIA HOUSING MANAGEMENT COMMISSION

COMBINED BALANCE SHEET
DECEMBER 31, 1985 AND 1984

	1985	1984
ASSETS		
Accounts receivable	$ 335,672	$ 450,108
Prepaid expenses and shelter supplement	946,780	1,143,946
Disaster loss fund (note 3)	671,387	624,181
Fixed assets	187,806	273,873
Due from Canada Mortgage and Housing Corporation	4,791,292	3,565,230
Due from Province of British Columbia	2,108,000	1,527,800
	$9,040,937	$7,585,138
LIABILITIES AND PROVINCE'S ACCOUNT		
Bank indebtedness	2,668,976	1,700,116
Accounts payable	3,450,449	3,200,730
Amortization payable		320,277
Tenants' prepaid rent	214,429	212,216
Disaster loss reserve (note 3)	671,387	624,181
	7,005,241	6,057,520
Province's account	2,035,696	1,527,618
	$9,040,937	$7,585,138

On behalf of the Commission:

Chairman Mary L. Kerr

Member Betty Shankland

See accompanying notes.

PROVINCE OF BRITISH COLUMBIA

PROJECTS AND PROGRAMS MANAGED BY
BRITISH COLUMBIA HOUSING MANAGEMENT COMMISSION

COMBINED STATEMENT OF REVENUE AND EXPENDITURE
AND PROVINCE'S ACCOUNT
YEARS ENDED DECEMBER 31, 1985 AND 1984

	1985	1984
Revenue:		
Tenant rent	$19,539,773	$18,680,002
Sundry	286,115	46,888
	19,825,888	18,726,890
Expenditure:		
Amortization	14,318,670	14,318,670
Operating	11,208,726	10,247,193
Shelter supplement	6,814,621	7,987,728
Maintenance	3,957,705	4,057,121
Grants in lieu of taxes (note 5)	3,301,307	3,374,366
Administration	3,302,669	2,542,269
Modernization and improvement	7,107,024	2,989,615
Provincial programs	1,454,816	1,358,632
Working capital interest (note 2)	722,574	613,485
	52,188,112	47,489,079
Program deficit	(32,362,224)	(28,762,189)
Interest income, net	667,786	545,466
Excess of expenditure over revenue for the year	31,694,438	28,216,723
Less Canada Mortgage and Housing Corporation subsidy share	19,102,396	16,238,664
Net Provincial expenditure	12,592,042	11,978,059
Subsidy receipts	13,100,120	12,325,219
Province's account, beginning of year	1,527,618	1,137,018
Prior period adjustment (note 4)		43,440
Province's account, end of year	$ 2,035,696	$ 1,527,618

See accompanying notes.

PROVINCE OF BRITISH COLUMBIA

PROJECTS AND PROGRAMS MANAGED BY
BRITISH COLUMBIA HOUSING MANAGEMENT COMMISSION

COMBINED STATEMENT OF CHANGES IN FINANCIAL POSITION
YEARS ENDED DECEMBER 31, 1985 AND 1984

	1985	1984
Source of funds:		
Subsidy receipts:		
Province of British Columbia	$13,100,120	$12,368,659
Canada Mortgage and Housing Corporation	16,541,373	10,168,349
Decrease in accounts receivable	114,436	524,468
Decrease in prepaid expenses	197,166	129,357
Increase in accounts payable	249,719	
Increase in tenants' prepaid rent	2,213	95,127
Increase in amortization payable		150,356
	30,205,027	23,436,316
Application of funds:		
Excess of expenditure over revenue for the year	31,694,438	28,216,723
Less:		
Depreciation expense	(73,264)	(81,798)
Retirement of fixed assets	(12,803)	(50,000)
Amortization credited to Canada Mortgage and Housing Corporation	(5,772,511)	(5,772,511)
	25,835,860	22,312,414
Increase in amount due from Province of British Columbia	580,200	1,527,800
Increase in amount due from Canada Mortgage and Housing Corporation	4,437,550	
Purchase of fixed assets		322,852
Decrease in amortization payable	320,277	
Decrease in accounts payable		224,732
	31,173,887	24,387,798
Decrease in funds	(968,860)	(951,482)
Funds, beginning of year	(1,700,116)	(748,634)
Funds, represented by bank indebtedness, end of year	$(2,668,976)	$(1,700,116)

See accompanying notes.

PROVINCE OF BRITISH COLUMBIA
PROJECTS AND PROGRAMS
MANAGED BY BRITISH COLUMBIA HOUSING MANAGEMENT COMMISSION

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1985

1. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of financial statement presentation

These statements combine five separate financial statements of projects and programs operated by the Province of British Columbia (Ministry of Lands, Parks and Housing) and managed by British Columbia Housing Management Commission, each of which has its own subsidy sharing agreement.

The statements are prepared on the basis of accounting policies followed by similar entities in the Province of British Columbia.

b) Amortization

These statements do not include the capital cost of the projects, however, amortization in lieu of depreciation and interest on capital costs is in part payable to the Provincial Rental Housing Corporation and in part credited to Canada Mortgage and Housing Corporation based on schedules provided by the participants.

c) Tenant rent revenue

Tenant rent revenue represents rent charged to residents, and is determined as the lesser of market rent and a percentage of the residents' income. On October 1, 1983 the percentage charged new tenants was increased to 30% from 25%. For existing tenants transitional provisions apply whereby the percentage increase is phased in over a three year period, i.e. 26.5% on October 1, 1983, 28.2% on October 1, 1984 and 30% on October 1, 1985.

d) Fixed assets

All purchases are recorded as program operating expenditures, except for computer hardware and software which are recorded at cost as fixed assets and depreciated on the straight line basis over five and three years respectively.

2. WORKING CAPITAL INTEREST

The Province of British Columbia, through the Wholly Provincial projects and programs account, provides working capital to the projects and programs managed by the Commission, at interest rates agreed to by the participants.

3. DISASTER LOSS FUND

This fund, financed by the Province of British Columbia and Canada Mortgage and Housing Corporation, provides for claims below the deductible amounts of insured properties and for damages to uninsured items.

4. PRIOR PERIOD ADJUSTMENT

Under agreement between the Province of British Columbia and Canada Mortgage and Housing Corporation, the cost sharing of subsidies between the participants has been revised for prior years.

5. GRANTS IN LIEU OF TAXES

The Commission, on behalf of the Province of British Columbia and Canada Mortgage and Housing Corporation, pays each municipality a grant equivalent to property taxes due for all residential properties and projects managed.

6. LEASE COMMITMENTS

The Commission has obligations under operating leases for office space to be expensed over the next five years as follows: $458,000 in 1986, $455,000 in 1987, $444,000 in 1988, $441,000 in 1989, and $393,000 in 1990.

BRITISH COLUMBIA HYDRO AND POWER AUTHORITY

Chartered Accountants

Price Waterhouse Centre
601 West Hastings Street
Vancouver, B.C. V6B 5A5

(604) 682-4711
Telex: 04-507740
Telecopier (604) 662 5300

Price Waterhouse

REPORT OF THE AUDITORS

The Lieutenant Governor in Council,
Province of British Columbia:

We have examined the balance sheets of British Columbia Hydro and Power Authority as at March 31, 1986 and 1985 and the statements of income and earnings employed in the business and changes in financial position for each of the three years in the period ended March 31, 1986. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of British Columbia Hydro and Power Authority as at March 31, 1986 and 1985 and the results of its operations and the changes in its financial position for each of the three years in the period ended March 31, 1986 in accordance with generally accepted accounting principles consistently applied, after giving effect to the change in accounting for foreign currency translation as explained in Note 3 to the financial statements.

Price Waterhouse

Vancouver, British Columbia
May 12, 1986

PRICE WATERHOUSE
Chartered Accountants

BRITISH COLUMBIA HYDRO AND POWER AUTHORITY
BALANCE SHEET
AS AT MARCH 31

	1986	1985
	(in millions)	
FIXED ASSETS (Note 9):		
Fixed assets in service	$10,749	$10,231
Less - Accumulated depreciation	2,037	1,824
	8,712	8,407
Unfinished construction	269	588
	8,981	8,995
CURRENT ASSETS:		
Temporary investments	226	239
Accounts receivable and unbilled revenues	374	391
Materials and supplies	37	42
Prepaid expenses	4	42
	641	714
UNAMORTIZED DEFERRED CHARGES:		
Foreign currency translation	764	700
Discount and issue costs	78	93
	842	793
OTHER ASSETS	8	77
	$10,472	$10,579

	1986	1985
	(in millions)	
LONG-TERM LIABILITIES:		
Long-term debt (Notes 11 and 12)	$ 8,209	$ 8,387
Deferred liabilities	34	39
	8,243	8,426
CURRENT LIABILITIES:		
Bank indebtedness	-	101
Accounts payable	304	250
Accrued interest	344	347
Long-term debt payments due within one year (Note 11)	281	182
	929	880
UNAMORTIZED DEFERRED CREDITS:		
Rate stabilization account (Note 7)	107	103
Contributions arising from Columbia River Treaty	359	358
Contributions in aid of construction	313	293
	779	754
EARNINGS EMPLOYED IN THE BUSINESS	521	509
CONTINGENCIES (Note 14)		
	$10,472	$10,579

1985 figures have been restated (Note 2).

APPROVED ON BEHALF OF THE BOARD:

Chester A. Johnson, Chairman

Sandra D. Sutherland Q.C., Director

BRITISH COLUMBIA HYDRO AND POWER AUTHORITY
STATEMENT OF INCOME AND EARNINGS EMPLOYED IN THE BUSINESS
FOR THE YEARS ENDED MARCH 31

	1986	1985	1984
		(in millions)	
REVENUES:			
Electric - Domestic (Notes 4 and 5)	$1,392	$1,331	$1,155
- Export surplus (Notes 6 and 7)	252	182	75
Total Electric	1,644	1,513	1,230
Gas	423	415	361
Rail	24	25	22
Sundry	3	-	-
Total Revenues	2,094	1,953	1,613
EXPENSES:			
Employee compensation	226	268	214
Materials and services	67	66	64
Energy (Note 8)	328	323	276
Taxes	321	299	262
Depreciation (Note 9)	213	179	168
Amortization and write-off of deferred capital development studies (Note 9)	-	50	72
	1,155	1,185	1,056
OPERATING INCOME BEFORE FINANCE CHARGES	939	768	557
Finance charges (Note 10)	923	772	520
OPERATING INCOME (LOSS)	16	(4)	37
Transfer to rate stabilization account (Note 6)	(85)	(68)	(46)
Transfer from rate stabilization account (Note 7)	81	60	60
NET INCOME (LOSS)	12	(12)	51
EARNINGS EMPLOYED IN THE BUSINESS:			
At beginning of year, as previously reported	524	545	494
Prior period adjustment (Note 2)	(15)	-	-
Change in accounting policy (Note 3)	-	(24)	-
As restated	509	521	494
At end of year	$ 521	$ 509	$ 545

1985 figures have been restated (Note 2).

BRITISH COLUMBIA HYDRO AND POWER AUTHORITY
STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEARS ENDED MARCH 31

	1986	1985	1984
		(in millions)	
OPERATING ACTIVITIES:			
Operating income (loss)	$ 16	$ (4)	$ 37
Depreciation, amortization and write-off	279	278	259
Working capital	149	(111)	51
Other	20	(5)	(20)
Funds provided by operating activities	464	158	327
FINANCING ACTIVITIES:			
Issue of long-term debt	87	660	786
Contributions in aid of construction	34	27	17
Retirement of long-term debt	(87)	(276)	(145)
Sinking fund - Instalments	(95)	(99)	(87)
- Income reinvested	(98)	(92)	(70)
Other	(1)	(2)	(1)
Funds provided by (used for) financing activities	(160)	218	500
INVESTING ACTIVITIES:			
Fixed asset expenditures	(224)	(484)	(820)
Net proceeds from (cost of) fixed asset retirements	9	13	(5)
Loans and mortgages	(1)	(5)	(12)
Funds used for investing activities	(216)	(476)	(837)
INCREASE (DECREASE) IN FUNDS	88	(100)	(10)
FUNDS AT BEGINNING OF YEAR	138	238	248
FUNDS AT END OF YEAR	$ 226	$ 138	$ 238

Funds consist of temporary investments net of bank indebtedness.

1985 figures have been restated (Note 2).

BRITISH COLUMBIA HYDRO AND POWER AUTHORITY
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES:

B. C. Hydro is a Crown corporation of the Province of British Columbia (the "Province"). B. C. Hydro's electric and gas services, including rates, are subject to regulation by the British Columbia Utilities Commission (the "Commission"). The accounting policies of the corporation conform to accounting principles generally accepted in Canada. A description of significant accounting policies follows. See Note 7 for an explanation of the rate stabilization account.

Fixed Assets

Fixed assets in service consist principally of land, water rights, storage dams, plant for the generation, transmission and distribution of electricity and the distribution of gas, freight railway and rolling stock, and include the cost of plant financed by contributions in aid of construction and contributions arising from the Columbia River Treaty.

Fixed assets are carried at cost which includes material, direct labour and appropriate portions of engineering, administration and finance charges.

Capital development studies and projects which are abandoned or subject to indefinite deferral are written off. Capital development studies for which work is deferred for more than one year are amortized on a straight-line basis at 20% per annum during the deferral period or until fully amortized. Capital projects which are deferred, but for which there is a reasonable probability of proceeding, have a provision made for any reduction in the value of project costs.

Depreciation

The depreciation policy of B. C. Hydro is to charge the original cost of fixed assets to income over the estimated service lives of the assets. Depreciation is provided on all depreciable assets in service as at the beginning of each year and is computed using the straight-line method.

Finance Charges Capitalized

B. C. Hydro capitalizes finance charges at rates equivalent to the cost of borrowing those funds expended on construction projects during each year of construction.

Contributions

Contributions in aid of construction are amortized over the estimated service lives of the related assets, and the credit resulting therefrom is offset against the corresponding provision for depreciation.

Contributions arising from the Columbia River Treaty are amortized over the period ending in fiscal year 2025, the minimum term of the Treaty, and the credit resulting therefrom is offset against and is equal to the annual provision for depreciation of the related assets.

Contributions received in respect of unfinished construction are included with deferred liabilities until the assets are placed in service.

Foreign Currency Translation

Long-term debt, current assets and current liabilities denominated in a foreign currency are translated into Canadian currency at the rate of exchange prevailing at the balance sheet date. Unrealized gains and losses arising from the translation of long-term debt are deferred and amortized over the remaining term of the debt. Foreign exchange gains and losses on current assets and current liabilities are included in income.

Discount and Issue Costs

Discount and issue costs on long-term debt are amortized by charges to income on a straight-line basis over the terms of the respective debt.

Temporary Investments

Temporary investments are valued at the lower of cost and market.

Unbilled Revenues

Customers are billed on a cyclical basis for deliveries of electricity and gas. Unbilled deliveries are accrued and included in revenue.

Materials and Supplies

Materials and supplies are valued at average cost, less provisions for declines in value.

NOTE 2 PRIOR PERIOD ADJUSTMENT:

During the year ended March 31, 1985 B. C. Hydro made a severance provision for terminated employees. This provision has been increased based on the additional severance amounts recently awarded to certain former employees. Accordingly, employee compensation has been increased by $15 million for the year ended March 31, 1985.

NOTE 3 CHANGE IN ACCOUNTING POLICY:

As at April 1, 1984 B.C. Hydro adopted on a retroactive basis the new foreign currency translation recommendations of the Canadian Institute of Chartered Accountants (see Note 1). Previously, long-term debt was translated at the rates of exchange prevailing at the date the debt was incurred. The change in accounting policy was made by an adjustment to earnings employed in the business as of April 1, 1984 rather than by restatement of the financial statements of prior years. Had the accounting policy change been applied to individual prior years, net income for the year ended March 31, 1984 would have decreased by $10 million.

NOTE 4 ELECTRIC RATE INCREASES:

An interim electric rate increase of 6.5% which had been in effect since April 15, 1984 was confirmed by the Commission in a decision dated May 9, 1986. A further interim increase of 3.75%, which had been in effect since June 13, 1985 was reduced by the Commission to 1.875% for the period June 13, 1985 to March 31, 1986. Refunds totalling $21 million plus interest will be made to customers by B. C. Hydro.

As a result, domestic electric revenues for the year ended March 31, 1986 have been reduced accordingly and operating income reduced by $22 million. The Commission also ordered an amount, equivalent to the revenue refund, to be transferred to income from the rate stabilization account. Consequently, net income has been reduced by only $1 million.

NOTE 5 SKAGIT RIVER AGREEMENTS:

Pursuant to agreements reached between the Province and the City of Seattle ("Seattle") and the Province and B. C. Hydro, Seattle has agreed not to raise the pool elevation of the Ross Dam, which would have resulted in the flooding of some British Columbia lands along the Skagit River. B. C. Hydro is to supply Seattle, for 80 years commencing January 1, 1986, with annual amounts of firm energy that approximate the additional energy that would have been generated at the Ross Dam had the pool elevation been raised. In exchange, B. C. Hydro is to receive from Seattle U.S. $22 million per year for 35 years commencing December 31, 1986, the net present value of which is equivalent to the estimated capital cost of raising the Ross

Dam pool elevation. The agreements also permit B. C. Hydro to raise the level of its Seven Mile Reservoir and thereby increase generating capability.

B. C. Hydro's domestic revenues represent the sales of energy to customers within British Columbia and the sales of firm energy to those outside the Province with whom B. C. Hydro has long-term commitments. As a result, domestic electric revenues include $8 million earned from the deliveries of energy to Seattle during the three-month period ended March 31, 1986.

NOTE 6 EXPORT SURPLUS:

Export surplus revenues are derived from non-firm energy sales made outside British Columbia. These sales are surplus to B. C. Hydro's domestic load requirements.

Income from export surplus sales for each year was as follows:

	Years ended March 31		
	1986	1985	1984
		(in millions)	
Export surplus revenues	$252	$182	$ 75
Less: Direct expenses:			
Energy purchases	12	-	-
Transmission charges	21	26	3
Water rentals	37	17	9
	70	43	12
Income before rate stabilization	182	139	63
Transfer to rate stabilization account (Note 7)	(85)	(68)	(46)
Income from export surplus sales	$ 97	$ 71	$ 17

NOTE 7 RATE STABILIZATION ACCOUNT:

For fiscal years subsequent to March 31, 1982 the Commission ordered B. C. Hydro to transfer to the rate stabilization account revenues derived from export sales of surplus electric energy (exclusive of sales made under certain export contracts) less associated direct expenses. In addition, the Commission ordered B. C. Hydro to transfer from the rate stabilization account, each fiscal year, an amount of $60 million or such lesser amount as to reduce the account balance to nil.

For fiscal 1986 the Commission allowed B. C. Hydro to take into income, in addition to the $60 million transferred from the rate stabilization account, revenues from export surplus sales to an amount of $130 million before direct expenses. Export surplus sales in excess of $130 million less direct expenses were transferred to the rate stabilization account. The

Commission also ordered B. C. Hydro to transfer to income from the rate stabilization account an amount equivalent to the refund payable to domestic customers ($21 million - see Note 4).

Had fiscal 1986 been prepared on the same basis as 1985 and 1984, net income for the year would have decreased by $57 million.

An analysis of the rate stabilization account is as follows:

	Years ended March 31		
	1986	1985	1984
		(in millions)	
Balance at beginning of year	$103	$ 95	$109
Transfer from income (Note 6)	85	68	46
Transfer to income	(81)	(60)	(60)
Balance at end of year	$107	$103	$ 95

NOTE 8 ENERGY:

	Years ended March 31		
	1986	1985	1984
	(in millions)		
Gas purchased for resale*	$280	$283	$247
Transmission of electricity	23	26	4
Purchase of electricity	12	-	12
Fuel for generation	13	14	13
	$328	$323	$276

* Gas purchased for resale has been reduced by $14 million in 1986 (1985 - $5 million) as a result of using gas paid for at lower prices in prior years under a gas take-or-pay contract.

NOTE 9 FIXED ASSETS:

	As at March 31					
	1986					1985
	Fixed Assets in Service			Unfinished Construction*	Total	Total
	Original Cost	Accumulated Depreciation	Net Book Value			
	(in millions)					
Electric Service						
Generation and storage	$ 4,946	$ 672	$4,274	$ 91	$4,365	$4,478
Transmission	2,189	366	1,823	93	1,916	1,914
Transformation	1,226	277	949	42	991	999
Distribution	1,283	391	892	-	892	863
Buildings and other	345	143	202	6	208	154
Total Electric Service	9,989	1,849	8,140	232	8,372	8,408
Gas Service	512	105	407	35	442	425
Rail Service	50	23	27	-	27	27
Common Properties	187	60	127	2	129	124
Sundry	11	-	11	-	11	11
Total	$10,749	$2,037	$8,712	$269	$8,981	$8,995

* Unfinished construction includes $134 million (1985 - $124 million) in deferred capital projects mainly comprised of costs relating to Peace Site C, Vancouver Island Gas Pipeline and Murphy-Keenleyside.

Depreciation

The composite depreciation rates for each year were as follows:

	Years ended March 31		
	1986 (%)	1985 (%)	1984 (%)
Electric Service	2.30	2.54	2.52
Gas Service	2.43	2.38	2.39
Rail Service	3.73	3.77	3.71
Common Properties	6.09	6.18	6.59

Amortization and Write-off of Deferred Capital Development Studies

The amortization and write-offs related mainly to the following deferred capital development studies: 1985 Iskut-Stikine; 1984 Meager Creek, Liard and Iskut-Stikine.

NOTE 10 FINANCE CHARGES:

	Years ended March 31		
	1986	1985	1984
	(in millions)		
Interest on long-term debt	$1,017	$ 994	$872
Foreign exchange adjustments on long-term debt	51	37	12
Amortization of discount and issue costs	15	12	7
Other finance charges	4	4	2
	1,087	1,047	893
Less:			
Income from sinking fund investments held by Trustee	98	92	70
Income from temporary investments	15	33	19
	113	125	89
	974	922	804
Less:			
Finance charges capitalized	51	150	284
	$ 923	$ 772	$520

The effective rate for finance charges capitalized to unfinished construction during the year ended March 31, 1986 was 12.8% (1985 - 13.9%; 1984 - 12.2%).

NOTE 11 LONG-TERM DEBT:

	As at March 31 1986	1985
	(in millions)	
Total long-term debt outstanding -		
Payable in Canadian currency	$4,448	$4,366
Payable in United States currency (U. S. $3,638; 1985 - U. S. $3,742)	5,078	5,103
	9,526	9,469
Less: Sinking funds with Trustee, Minister of Finance for the Province of British Columbia*	1,036	900
	8,490	8,569
Less: Long-term debt payments due within one year -		
Sinking fund instalments	108	95
Maturities, less sinking fund	173	87
	281	182
	$8,209	$8,387

*Includes investments in United States currency in the amount of U.S. $117 million (1985 - U.S. $92 million).

B.C. Hydro had 171 series of long-term debt outstanding at March 31, 1986 (1985 - 170). Coupon rates on this long-term debt range from 3¼% to 16¼%. The effective interest cost on long-term debt outstanding at March 31, 1986 was 9.43% (1985-9.40%) for Canadian denominated debt and 12.48% (1985-12.37%) for U.S. denominated debt.

The following long-term debt was issued by B. C. Hydro during the year ended March 31, 1986:

Coupon Rate	Series	Date of Maturity	Principal
10.50%	GS	May 30, 1988	$50 million
10.86%	GT	July 10, 2005	$38 million

NOTE 11 (continued)

Many of the series have annual sinking fund requirements. Total long-term debt maturity payments and sinking fund instalments of the long-term debt outstanding as at March 31, 1986 were as follows:

Year Ending March 31	Principal Amount of Maturities	Estimated Sinking Funds at Maturity	Cash Requirements		
			Net Debt Maturities	Sinking Funds	Total
		(in millions)			
1987	$ 285	$ 112	$ 173	$ 108	$ 281
1988	549	104	445	109	554
1989	564	69	495	108	603
1990	631	83	548	100	648
1991	161	34	127	97	224
	2,190	402	1,788	522	2,310
1992-1996	2,045	1,091	954	382	1,336
1997-2001	1,063	847	216	322	538
2002-2006	1,710	1,710	-	140	140
2007-2011	773	773	-	10	10
2012-	1,745	1,745	-	-	-
	$9,526	$6,568	$2,958	$1,376	$4,334

Net debt maturities represent the principal amount of maturities less the estimated sinking funds at maturity. The estimated sinking funds at maturity are based on assumed average annual earnings of approximately 10% on existing sinking fund investments and future sinking fund instalments, and include estimated discounts on anticipated purchases of bonds subject to annual mandatory redemption. The translation of amounts denominated in a foreign currency is based on the rate of exchange in effect at March 31, 1986.

Certain B. C. Hydro debt held by the Canada Pension Plan Investment Fund and by the Minister of Finance of the Province of British Columbia contains provisions allowing holders to redeem the debt prior to maturity, in whole or in part, subject to certain restrictions. As at March 31, 1986 this debt amounted to $901 million (1985-$892 million) net of sinking funds.

NOTE 12 GUARANTEE BY THE PROVINCE OF BRITISH COLUMBIA:

B. C. Hydro's long-term debt outstanding is either held, or guaranteed as to principal, interest and premium, if any, by the Province of British Columbia.

NOTE 13 PENSION PLANS:

Employees of B. C. Hydro are covered under contributory pension plans. It is B. C. Hydro's practice to obtain periodic actuarial valuations of the plans for purposes of determining annual pension costs and funding requirements. Current service costs are provided for and funded when incurred. Past service pension costs and accrued deficits arising from plan amendments, changes in actuarial assumptions and indexing supplements to existing pensioners are provided for and funded over periods and in amounts recommended by the actuary.

A preliminary actuarial report dated April 23, 1986 indicated an accrued actuarial deficit in the principal plan as at December 31, 1985 of $17 million (1984 - $29 million). B. C. Hydro is funding the deficit by annual payments of $4 million per annum to March 31, 1997 and $3 million per annum thereafter to March 31, 2000. The reduction in the deficit results from plan experience gains and the B. C. Hydro annual payments, offset in part by necessary changes in actuarial assumptions.

The total cost to B. C. Hydro in respect of pension plans, including its share of Canada Pension Plan costs, for the year ended March 31, 1986 was $22 million (1985 - $25 million; 1984 - $25 million), of which $18 million (1985 - $18 million; 1984 - $16 million) was charged to income and the balance capitalized and included in fixed assets.

NOTE 14 CONTINGENCIES:

The powerplant and concrete dam contractor on the Revelstoke Project delivered in March 1984 a submission of claims for substantial unanticipated costs with respect to the work performed to completion, to a maximum amount of $128 million. B. C. Hydro has denied liability for the substantial part of all the claims made but has paid an amount of $7 million which was found owing under the contract with respect to the claims. A non-binding mediator's report has recommended an additional payment of $12 million which has been offered without prejudice to the contractor for a release of all claims. This matter is still under discussion by the parties. Any amounts paid by B. C. Hydro as a result of the claims will be capitalized as part of construction expenditures and included in fixed assets.

NOTE 15 SEGMENT INFORMATION:

B. C. Hydro is engaged in the operation of three principal services: generation, transmission and distribution of electricity; distribution of gas; and provision of a rail service.

Most expenses are directly attributable to specific services and common expenses are allocated among the services. Export surplus expenses include only direct costs, namely energy purchases, transmission charges and water rentals.

Identifiable assets are those assets that are used in each service's operations. Corporate assets are principally temporary investments and unamortized deferred charges.

Note 15 SEGMENT INFORMATION (continued):

Years ended March 31 (in millions)	ELECTRIC									GAS			RAIL(1)			SUNDRY			COMBINED		
	Domestic			Export Surplus			Total Electric														
	1986	1985	1984	1986	1985	1984	1986	1985	1984	1986	1985	1984	1986	1985	1984	1986	1985	1984	1986	1985	1984
Revenues	$1,392	$1,331	$1,155	$252	$182	$ 75	$1,644	$1,513	$1,230	$423	$415	$361	$24	$ 25	$22	$ 3	$-	$-	$ 2,094	$ 1,953	$1,613
Expenses:																					
Employee compensation	180	218	169	-	-	-	180	218	169	35	38	34	11	12	11	-	-	-	226	268	214
Materials and services	56	54	53	-	-	-	56	54	53	9	8	6	2	4	5	-	-	-	67	66	64
Energy(2)	15	14	26	33	26	3	48	40	29	280	283	247	-	-	-	-	-	-	328	323	276
Taxes	272	271	242	37	17	9	309	288	251	10	9	9	2	2	2	-	-	-	321	299	262
Depreciation	198	165	154	-	-	-	198	165	154	13	12	12	2	2	2	-	-	-	213	179	168
Amortization and write-off of deferred capital development studies	-	50	70	-	-	-	-	50	70	-	-	2	-	-	-	-	-	-	-	50	72
Total expenses	721	772	714	70	43	12	791	815	726	347	350	310	17	20	20	-	-	-	1,155	1,185	1,056
Operating income before finance charges	671	559	441	182	139	63	853	698	504	76	65	51	7	5	2	3	-	-	939	768	557
Finance charges	869	727	479	-	-	-	869	727	479	50	41	37	2	3	3	2	1	1	923	772	520
Operating income (loss)	(198)	(168)	(38)	182	139	63	(16)	(29)	25	26	24	14	5	2	(1)	1	(1)	(1)	16	(4)	37
Transfer to rate stabilization account	-	-	-	(85)	(68)	(46)	(85)	(68)	(46)	-	-	-	-	-	-	-	-	-	(85)	(68)	(46)
Transfer from rate stabilization account	81	60	60	-	-	-	81	60	60	-	-	-	-	-	-	-	-	-	81	60	60
Net income (loss)	$ (117)	$(108)	$ 22	$ 97	$71	$ 17	$ (20)	$ (37)	$ 39	$ 26	$ 24	$ 14	$ 5	$ 2	$(1)	$ 1	$(1)	$(1)	$ 12	$ (12)	$ 51
Identifiable assets							$8,675	$8,792	$8,621	$530	$562	$523	$47	$ 45	$53	$11	$12	$12	$ 9,263	$ 9,411	$9,209
Corporate assets																			1,209	1,168	384
Total assets																			$10,472	$10,579	$9,593
Expenditures on fixed assets							$ 194	$ 442	$ 781	$ 28	$ 40	$ 33	$ 1	$ 1	$ 5	$ 1	$ 1	$ 1	$ 224	$ 484	$ 820

(1) The 1985 Rail revenues include a $5 million gain on sale of property; revenues from normal operations are $20 million and operating loss $3 million.
(2) The 1986 Gas energy costs have been reduced by $14 million (1985 - $5 million) as a result of using gas paid for at lower prices in prior years under a gas take-or-pay contract.

1985 figures have been restated (Note 2).

BRITISH COLUMBIA INSTITUTE OF TECHNOLOGY

Province of British Columbia

Office of the
Auditor General
Province of British Columbia

8 Bastion Square
Victoria
British Columbia
V8V 1X4

AUDITOR'S REPORT

To the Chairman and Members of the Board of Governors of the British Columbia Institute of Technology, and

To the Minister of Post-Secondary Education
Province of British Columbia:

I have examined the balance sheet of the British Columbia Institute of Technology as at 31 March 1986, the statement of revenue and expenditure and changes in fund balances, and the statements of revenue and expenditure for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Institute as at 31 March 1986 and the results of its operations and the changes in its fund balances for the year then ended in accordance with accounting principles described in note 1 to the financial statements, applied on a basis consistent with that of the preceding year.

Erma Morrison, F.C.A.
Auditor General

Victoria, British Columbia
10 June 1986

BRITISH COLUMBIA INSTITUTE OF TECHNOLOGY

BALANCE SHEET

as at March 31, 1986

	Operating Fund	Special Purpose Fund	Ancillary Services Fund	Capital Fund	Trust Funds: Trust	Trust Funds: Donated	Total	1985 Total
ASSETS								
Cash and Term Deposits	$4,201,320	$ 102,218	$ -	$ 52,122	$ -	$514,886	$ 4,870,546	$ 6,055,743
Accounts Receivable - Province of British Columbia	23,905	159,205	-	-	-	-	183,110	97,621
- Pacific Vocational Institute	124,834	-	-	914,525	-	-	1,039,359	-
- Other	755,266	113,977	84,476	-	-	34,088	987,807	1,527,124
Loans Receivable	-	38,221	-	-	-	-	38,221	48,512
Inventories	142,463	-	445,459	-	-	-	587,922	475,864
Prepaid Expenses	285,669	-	700	-	-	-	286,369	191,349
Bonds (Note 2)	-	-	-	-	-	291,338	291,338	291,338
Investment in Teaching Facilities at Associated Hospital (Note 3)	-	-	-	1,173,693	-	-	1,173,693	1,200,769
Equipment, Buildings and Improvements (Note 4)	-	-	-	31,511,331	-	-	31,511,331	29,222,986
Interfund Advances	(783,537)	752,106	(285,876)	265,460	18,141	33,706	-	-
	$4,749,920	$1,165,727	$244,759	$33,917,131	$18,141	$874,018	$40,969,696	$39,111,306
LIABILITIES, EQUITY AND FUND BALANCES								
Accounts Payable and Accrued Liabilities (Note 5)	$3,866,452	$ 91,060	$210,203	$ 228,058	$ 3,637	$ 10,061	$ 4,409,471	$ 5,254,353
Accounts Payable - Pacific Vocational Institute	37,074	44,400	-	-	-	-	81,474	-
Deferred Revenue	1,849,185	-	34,556	-	-	-	1,883,741	1,874,442
Short-Term Borrowings (Note 6)	-	-	-	3,899,350	-	-	3,899,350	2,839,398
Long-Term Debt (Note 7)	-	-	-	5,901,525	-	-	5,901,525	6,090,760
Mortgage Payable (Note 8)	-	-	-	2,491,062	-	-	2,491,062	2,495,418
Equity in Equipment, Buildings and Improvements	-	-	-	21,345,732	-	-	21,345,732	19,289,472
Fund Balances	(1,002,791)	1,030,267	-	51,404	14,504	863,957	957,341	1,267,463
	$4,749,920	$1,165,727	$244,759	$33,917,131	$18,141	$874,018	$40,969,696	$39,111,306

Approved by the Board of Governors:

Malcolm C.J. Wickson, LL.B.
Chairman, Board of Governors

D.M. Macpherson, C.A.
Vice President, Finance

BRITISH COLUMBIA INSTITUTE OF TECHNOLOGY

STATEMENT OF REVENUE AND EXPENDITURE AND CHANGES IN FUND BALANCES

for the year ended March 31, 1986

	Operating Fund			Special Purpose Fund	Ancillary Services Fund	Capital Fund	Trust Funds			
	General Purpose	Temporary Courses	Total Fund				Trust	Donated	Total	1985 Total
Revenue	$46,352,203	$86,043	$46,438,246	$1,568,849	$3,950,725	$2,230,024	$57,312	$543,246	$54,788,402	$56,211,999
Expenditure	45,769,142	81,355	45,850,497	1,849,064	3,549,713	3,461,765	50,384	337,101	55,098,524	56,656,686
Excess (Deficiency) of Revenue over Expenditure	583,061	4,688	587,749	(280,215)	401,012	(1,231,741)	6,928	206,145	(310,122)	(444,687)
Fund Balances Beginning of Year	28,569	-	28,569	604,327	(47,690)	(25,189)	7,576	699,870	1,267,463	1,712,150
Interfund Transfers	(1,614,421)	(4,688)	(1,619,109)	706,155	(353,322)	1,308,334	-	(42,058)	-	-
Fund Balances, End of Year	$(1,002,791)	$ -	$(1,002,791)	$1,030,267	$ -	$ 51,404	$14,504	$863,957	$ 957,341	$ 1,267,463

BRITISH COLUMBIA INSTITUTE OF TECHNOLOGY

STATEMENT OF REVENUE

for the year ended March 31, 1986

	Operating Fund			Special	Ancillary	Capital	Trust Funds			
	General Purpose	Temporary Courses	Total Fund	Purpose Fund	Services Fund	Fund	Trust	Donated	Total	1985 Total
REVENUE										
Province of British Columbia										
Operating Grants	$34,140,700	$86,043	$34,226,743	$ 96,400	$ -	$ -	$ -	$ -	$34,323,143	$36,111,894
Debt Service Grants	-	-	-	-	-	392,936	-	-	392,936	659,098
Capital Grants	-	-	-	-	-	215,100	-	-	215,100	1,245,565
Debenture Payment Grants	-	-	-	-	-	896,937	-	-	896,937	454,715
Tuition Fees	10,334,045	-	10,334,045	-	-	-	-	-	10,334,045	9,470,656
Gifts and Donations	-	-	-	-	-	-	-	485,549	485,549	526,343
Sales and Rentals										
Bookstore	-	-	-	-	1,695,255	-	-	-	1,695,255	1,618,808
Campus Food Services	-	-	-	-	749,773	-	-	-	749,773	649,781
Residences	-	-	-	-	876,977	-	-	-	876,977	776,060
Investment Income	371,882	-	371,882	45,073	-	26,673	-	56,337	499,965	643,012
Recoveries and Other Income	1,505,576	-	1,505,576	1,427,376	628,720	35,779	57,312	1,360	3,656,123	3,125,754
Capital Funding	-	-	-	-	-	662,599	-	-	662,599	930,313
TOTAL	$46,352,203	$86,043	$46,438,246	$1,568,849	$3,950,725	$2,230,024	$57,312	$543,246	$54,788,402	$56,211,999

BRITISH COLUMBIA INSTITUTE OF TECHNOLOGY

STATEMENT OF EXPENDITURE

for the year ended March 31, 1986

	Operating Fund			Special Purpose Fund	Ancillary Services Fund	Capital Fund	Trust Funds			
	General Purpose	Temporary Courses	Total Fund				Trust	Donated	Total	1985 Total
EXPENDITURE										
Salaries and Wages	$32,500,990	$66,880	$32,567,870	$ 955,311	$ 962,094	$ -	$23,010	$ -	$34,508,285	$34,110,636
Employee Benefits	4,312,070	3,307	4,315,377	69,660	150,452	-	838	-	4,536,327	4,776,960
Interest and Bank Charges	115,379	-	115,379	-	443,251	128,936	23,932	-	711,498	977,992
Insurance	135,414	-	135,414	1,856	-	-	-	-	137,270	99,918
Postage and Delivery	167,990	-	167,990	9,577	541	-	-	-	178,108	215,971
Printing and Advertising	437,988	648	438,636	74,292	42,249	-	1,131	-	556,308	442,409
Professional Fees	143,191	-	143,191	22,309	-	-	-	2,050	167,550	230,357
Rentals and Maintenance										
Facilities	536,925	-	536,925	191,532	59,640	-	-	-	788,097	929,358
Equipment	2,452,571	-	2,452,571	23,571	52,873	-	-	-	2,529,015	2,833,115
Supplies and Contract Services	2,656,339	10,162	2,666,501	219,765	155,097	-	205	26,076	3,067,644	2,816,405
Travel and Training	628,064	-	628,064	45,774	3,316	-	916	-	678,070	759,414
Utilities and Communications	1,404,782	200	1,404,982	-	99,010	-	-	-	1,503,992	1,465,117
Cost of Sales	-	-	-	-	1,560,627	-	-	-	1,560,627	1,551,129
Buildings and Improvements	-	-	-	13,714	-	747,421	-	-	761,135	982,206
Debenture Payments	-	-	-	-	-	922,297	-	-	922,297	466,323
Donation	-	-	-	-	-	-	-	-	-	310,000
Expendable Equipment	-	-	-	31,031	-	40,165	-	-	71,196	82,144
Loan Repayments	-	-	-	-	4,359	264,000	-	-	268,359	375,535
Major Equipment	-	-	-	85,972	-	1,350,549	-	9,945	1,446,466	2,649,009
Student Awards	-	-	-	-	-	-	-	283,962	283,962	275,367
Other Expenditures	277,439	158	277,597	104,700	16,204	8,397	352	15,068	422,318	307,321
TOTAL	$45,769,142	$81,355	$45,850,497	$1,849,064	$3,549,713	$3,461,765	$50,384	$337,101	$55,098,524	$56,656,686

BRITISH COLUMBIA INSTITUTE OF TECHNOLOGY

NOTES TO FINANCIAL STATEMENTS

for the year ended March 31, 1986

1. Significant Accounting Policies

a) General

These financial statements have been prepared in accordance with generally accepted accounting principles except for the following:

i) Fund accounting procedures are followed.
ii) Equipment, buildings and improvements expenditures are recorded on the Statement of Expenditure in the year in which they are incurred. The capital assets acquired are also recorded at cost on the Balance Sheet, and equity in equipment, buildings and improvements is recorded as funds are expended to acquire these assets or to repay loans incurred for such transactions.
iii) No provision is made for depreciation and amortization on equipment, buildings and improvements.
iv) No provision is made for the current portion of accrued vacation pay.
v) No provision is made for accrued interest on long-term debt.
vi) Books and periodicals for the Library are charged as an expense in the year acquired.
vii) Capital lease payments are recorded as expenditures when made but are not recorded as assets.

b) Fund Accounting

Available resources and their related expenditures are accounted for in separate funds in accordance with objectives specified by donors, limitations and restrictions imposed by sources outside the Institute, and determinations made by the Board of Governors. In the financial statements, funds with similar characteristics have been combined into major fund divisions which are described below:

i) General Purpose Operating - revenue and expenditure relating to the general operation of the Institute.
ii) Temporary Courses Operating - revenue and expenditure for presenting courses which were specifically approved and specially funded by the Province of British Columbia.
iii) Special Purpose - revenue and expenditure relating to specific projects which were undertaken by the Institute and specially funded by donors, governments or appropriations from the General Purpose Operating Fund.

BRITISH COLUMBIA INSTITUTE OF TECHNOLOGY

NOTES TO FINANCIAL STATEMENTS

for the year ended March 31, 1986

1. Significant Accounting Policies (Continued)

b) Fund Accounting

iv) Ancillary Services - revenue and expenditure relating to the Bookstore, Campus Food Services and Residence operations. Ancillary Services are only charged direct operating costs.
v) Capital - revenue and expenditure relating to the acquisition of capital assets and in the servicing of authorized capital borrowings.
vi) Trust - revenue and expenditure authorized and directed under trust arrangements.
vii) Donated - revenue and expenditure relating to the provision of financial awards and for acquisition of equipment.

c) Inventories

Inventories consist of general supplies and books, and are recorded at the lower of cost and net realizable value.

2. Bonds

Interest is earned at 11-3/4% per annum on the face amount paid semi-annually on February 1 and August 1 each year. These bonds mature February 1, 2003.

	1986	1985
Face Amount	$310,000	$310,000
Cost	$291,338	$291,338
Market Value	$364,250	$298,003

3. Investment in Teaching Facilities at Associated Hospital

The investment represents advances made by the Institute for the construction of teaching facilities at St. Paul's Hospital. As the Institute has no legal title to these facilities, this amount will be amortized by an amount equal to the annual sinking fund balance accumulated to retire the related debentures payable.

	1986	1985
Original Amount	$1,200,769	$1,200,769
Accumulated Amortization	27,076	-
	$1,173,693	$1,200,769

4. Equipment, Buildings and Improvements

	1986	1985
Equipment	$15,985,395	$14,607,198
Buildings	14,955,758	13,855,747
Improvements	570,178	760,041
	$31,511,331	$29,222,986

All Institute campus land and certain buildings occupied by the Institute are the property of the Province of British Columbia and are provided free of charge except that a portion of the land for the residences is leased from the Province of British Columbia at $25 per annum terminating October, 2037.

All equipment acquired prior to April 1, 1975 for use by the Institute was previously owned by the Province of British Columbia. During the year ended March 31, 1978, title was transferred at no cost to the Institute. This equipment is recorded at the nominal value of $1.

BRITISH COLUMBIA INSTITUTE OF TECHNOLOGY

NOTES TO FINANCIAL STATEMENTS

for the year ended March 31, 1986

4. Equipment, Buildings and Improvements (Continued)

During the year ended March 31, 1985, additional equipment previously owned by the Province of British Columbia was donated to the Institute. For insurance purposes, the replacement value of this equipment has been valued at $1,000,000. This equipment is recorded at the nominal value of $1.

5. Accounts Payable and Accrued Liabilities

The amounts of vacation pay and termination salary grant liabilities included in Accounts Payable and Accrued Liabilities are as follows:

	1986	1985
Vacation Pay Liability	$ 524,727	$ 828,561
Termination Salary Grant Liability	585,668	599,895
	$1,110,395	$1,428,456

The vacation pay liability is accrued for approved vacation days carried forward from the previous academic year. The liability does not include vacation earned in the period July 1 to the end of the current fiscal year.

The termination salary grant liability is accrued for employees who are members of the British Columbia Government Employees Union. In accordance with the provision in their collective agreement, each employee is entitled to receive a salary grant on termination of employment for an amount equivalent to 50% of sick leave credits accumulated from the date of employment at the rate of pay on the date of termination.

This accounting treatment is not in compliance with the policy on accrual accounting issued by the Ministry of Post-Secondary Education for the Province of British Columbia. However, the Institute has adopted accounting treatments which provide for recognition of charges against operations in the year in which they are incurred.

6. Short-Term Borrowings

	1986	1985
Bank loan is payable on demand and is to be repaid out of future rental income from residences. This loan is secured by a term deposit of the same amount.	$ 1,700,000	$ 1,700,000
Short-term borrowings under Capital Project Certificates of Approval are to be repaid out of proceeds from debenture issues or by grants from the Province of British Columbia.	2,199,350	1,139,398
	$ 3,899,350	$ 2,839,398

7. Long-Term Debt

Long-Term debt consists of debentures issued to the British Columbia Educational Institutions Capital Financing Authority. The proceeds from the debentures are used to retire short-term borrowings.

Terms are as follows:

Certificate Number	Maturity Date	Rate	Principal	Accumulated Sinking Fund Payments	Balance March 31, 1986	Balance March 31, 1985	Annual Payments
AB2	June 20, 1993	11.75%	$ 602,500	$ 97,428	$ 505,072	$ 556,333	$112,384
GG38	May 02, 2003	11.53%	2,496,000	129,645	2,366,355	2,434,427	342,331
GG51	January 04, 2005	12.08%	3,100,000	69,902	3,030,098	3,100,000	442,221
			$6,198,500	$296,975	$5,901,525	$6,090,760	$896,936

BRITISH COLUMBIA INSTITUTE OF TECHNOLOGY

NOTES TO FINANCIAL STATEMENTS

for the year ended March 31, 1986

7. Long-Term Debt (Continued)

Annual payments include interest and sinking fund installments and are paid to the British Columbia Educational Institutions Capital Financing Authority from grants received from the Province of British Columbia. These debentures can be recalled by the Chairman of the British Columbia Educational Institutions Capital Financing Authority by giving not less than five (5) months' notice in writing.

The Province of British Columbia has unconditionally guaranteed the payment of principal and interest on the debentures.

8. Mortgage Payable

The student residence is financed by a 9-1/2% fixed rate mortgage, repayable at $19,721 (principal and interest) per month for the remaining term of the mortgage maturing August, 2027. The original principal amount of the mortgage was $2,515,449.

9. Commitments

Commitments under Capital construction contracts amount to $123,000 at March 31, 1986 (1985 - $107,799).

Commitments for lease and rental agreements amount to $248,652 per annum until August 31, 1988.

10. Endowment Fund

The Vancouver Foundation has an endowment fund of $310,000, the income from which is paid to the Institute for student financial aid purposes. The fund is not under the Institute ownership or control.

BRITISH COLUMBIA INSTITUTE OF TECHNOLOGY

NOTES TO FINANCIAL STATEMENTS

for the year ended March 31, 1986

11. Subsequent Event

On May 31, 1985, the Minister of Education announced that the Pacific Vocational Institute was to be amalgamated with the British Columbia Institute of Technology and that the amalgamated entity would operate under the name of British Columbia Institute of Technology. The Lieutenant Governor in Council approved this amalgamation effective April 1, 1986.

12. Comparative Figures

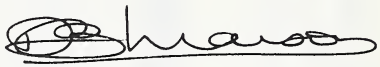
Certain 1985 comparative figures have been restated to conform with the presentation adopted for the current year. These restatements have no effect on Fund Balances.

BRITISH COLUMBIA LIQUOR DISTRIBUTION BRANCH

BRITISH COLUMBIA LIQUOR DISTRIBUTION BRANCH

REPORT OF THE COMPTROLLER GENERAL

The financial statements of British Columbia Liquor Distribution Branch for the year ended March 31, 1986, have been prepared from and accurately reflect, the financial records of the Government of British Columbia. Although an auditor's opinion has not been expressed on these statements, the accounts of the Branch have been examined as part of the audit of the Government's accounts.



D.B. Marson
Comptroller General

Victoria, British Columbia
July 2, 1986

BRITISH COLUMBIA LIQUOR DISTRIBUTION BRANCH

BALANCE SHEET AS AT MARCH 31, 1986

ASSETS

	1986	1985
CURRENT ASSETS		
Cash	$ 762,895	$11,410,129
Accounts receivable	3,189,502	2,240,349
Inventories	46,562,307	43,103,917
	50,514,704	56,754,395
FIXED ASSETS, at cost (note 3)	34,929,227	33,679,731
Less accumulated depreciation	24,250,236	21,718,516
	10,678,991	11,961,215
	$61,193,695	$68,715,610

LIABILITIES

CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$43,702,175	$42,290,249
PROVINCE OF BRITISH COLUMBIA		
Advance	17,491,520	26,425,361
	$61,193,695	$68,715,610

Commitments and Contingencies (note 5 & 6)

The accompanying notes and Schedule 1 are an integral part of these financial statements.

Approved By:

General Manager

Director of Finance

BRITISH COLUMBIA LIQUOR DISTRIBUTION BRANCH

STATEMENT OF INCOME FOR THE YEAR ENDED MARCH 31, 1986

	1986	1985
SALES (note 4)	$936,608,588	$887,183,912
COST OF MERCHANDISE SOLD	497,377,024	483,245,840
	439,231,564	403,938,072
PROVINCIAL MALT LEVY (note 4)	62,566,293	50,950,686
	501,797,857	454,888,758
OPERATING EXPENSES (Schedule 1)	106,842,589	103,114,123
	394,955,268	351,774,635
OTHER INCOME	2,137,519	1,904,209
NET INCOME	$397,092,787	$353,678,844

STATEMENT OF CHANGES IN PROVINCE OF BRITISH COLUMBIA ADVANCE

FOR THE YEAR ENDED MARCH 31, 1986

	1986	1985
Balance at beginning of year	$ 26,425,361	$ 24,296,252
Net Income	397,092,787	353,678,844
Cash payments to Provincial Treasury	(406,026,628)	(351,549,735)
BALANCE AT END OF YEAR	$ 17,491,520	$ 26,425,361

BRITISH COLUMBIA LIQUOR DISTRIBUTION BRANCH

STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED MARCH 31, 1986

	1986	1985
CASH PROVIDED BY OPERATIONS		
Net Income	$397,092,787	$353,678,844
Amounts charged against income not requiring an outlay of cash:		
Depreciation	2,904,461	3,575,179
Gain on disposal of fixed assets	(19,774)	(153,529)
(Increase) in accounts receivable	(949,153)	(1,106,092)
(Increase) in inventory	(3,458,390)	(5,859,071)
Increase in accounts payable	1,411,926	5,062,184
	396,981,857	355,197,515
CASH PAYMENTS TO PROVINCIAL TREASURY	(406,026,628)	(351,549,735)
	(9,044,771)	3,647,780
CASH USED FOR INVESTMENT IN FIXED ASSETS		
Acquisition of fixed assets	(1,622,864)	(1,366,601)
Proceeds on Disposal	20,401	164,762
	(1,602,463)	(1,201,839)
INCREASE (DECREASE) IN CASH	(10,647,234)	2,445,941
CASH AT BEGINNING OF YEAR	11,410,129	8,964,188
CASH AT END OF YEAR	$ 762,895	$11,410,129

BRITISH COLUMBIA LIQUOR DISTRIBUTION BRANCH

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 1986

1. STATUS OF THE BRANCH

The Liquor Distribution Branch obtains its authority for operation from the Liquor Distribution Act which is administered by the Ministry of Consumer and Corporate Affairs. As stated in Section 2 of this Act, the Branch has the sole right to purchase both in and out of the Province liquor for resale and reuse in the Province in accordance with the provisions of the Importation of Intoxicating Liquors Act (Canada).

2. SIGNIFICANT ACCOUNTING POLICIES

As prescribed by Section 18 of the Liquor Distribution Act, the financial statements of the Branch are prepared in accordance with generally accepted accounting principles.

The financial transactions of the Branch are also included in the financial statements of the Combined General Fund and Special Funds of the Government of the Province of British Columbia. The amounts are adjusted for differences in the accounting policies of the Branch from those of the Government.

Significant accounting policies followed in the preparation of these financial statements are:

a) Inventories are valued at the latest landed cost.

b) Fixed assets are depreciated on a straight line basis as follows:

Buildings	-	7 1/2% per annum
Leasehold Improvements	-	a minimum of 10% per annum or a rate sufficient to write off the cost over the remaining life of the respective lease.
Furniture, Fixtures, Vehicles & Equipment	-	25% per annum.

BRITISH COLUMBIA LIQUOR DISTRIBUTION BRANCH

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 1986

3. FIXED ASSETS

	1986		1985	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Land	$ 1,122,657	$ -	$ 1,122,657	$ -
Buildings	11,260,690	6,690,083	11,260,690	6,086,992
Leasehold improvements	4,640,198	2,566,112	4,610,678	2,030,645
Furniture, fixtures, vehicles & equipment	17,905,682	14,994,041	16,685,706	13,600,879
	34,929,227	24,250,236	33,679,731	21,718,516
NET BOOK VALUE	$10,678,991		$11,961,215	

4. SALES

The Branch is responsible for sales of liquor in the Province. The majority of liquor is sold by the Branch itself; however, the Branch has authorized manufacturers in certain situations to sell directly to licensees and consumers.

	1986	1985
Total Branch sales	$ 936,608,588	$ 887,183,912
Less non-alcoholic products	686,072	752,537
	935,922,516	886,431,375
Other authorized sales not included in these financial statements:		
Direct deliveries to licensees by Brewers' agent	168,171,655	157,575,250
Direct deliveries to licensee retail stores by Brewers' agent	2,678,613	-
Brew pubs	299,933	240,703
Commercial wineries	368,119	2,830,186
	171,518,320	160,646,139
TOTAL SALES OF LIQUOR IN THE PROVINCE	$1,107,440,836	$1,047,077,514

The Branch has authorized the brewers' agent to sell directly to licensees and licensee retail stores. The Branch has also authorized brew pubs to manufacture and sell directly to the public. The Provincial Malt Levy reported on the income statement represents the margin on these sales.

The Branch has agreements with commercial wineries which allow them to sell directly to the public. Sales by these commercial wineries as reported above will decrease as they enter into consignment agency contracts with the Branch. This will result in the inclusion of the commercial winery sales in the sales of the Branch.

Total sales of liquor in the Province do not include subsequent resale by licensed establishments.

BRITISH COLUMBIA LIQUOR DISTRIBUTION BRANCH

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 1986

5. COMMITMENTS

a) Federal Taxes

The Branch maintains inventory in its bonded warehouse for which Federal Taxes have neither been paid nor recorded. As at March 31, 1986, the future liability for these taxes approximates $8,000,000. These taxes are payable when inventory is shipped from the bonded warehouse.

b) Lease Premises

Total commitments as at March 31, 1986 for lease of premises are as follows:

Year ended March 31, 1987	$ 6,549,000
1988	5,900,000
1989	5,209,000
1990	4,559,000
1991	3,556,000
Subsequent years	7,447,000
TOTAL	$33,220,000

6. CONTINGENCIES

Agents' Stocking Program

The Branch has authorized suppliers' agents to import and warehouse liquor for subsequent resale to the Branch. Under this arrangement, the Branch has a contractual obligation to purchase all inventories held by the agent should he opt out of the program. The obligation of the Branch should all agents choose to terminate their contracts, totals approximately $20,934,000 for agents and $11,986,000 for federal taxes as at March 31, 1986.

7. SUPERANNUATION FUND

The Liquor Distribution Branch is an approved employer under the Pension (Public Service) Act. Eligible employees of the Branch contribute to the Public Service Superannuation Fund at a rate of 4.25% of pensionable salary up to the year's maximum pensionable earnings as defined in the Canada Pension Plan and at a rate of 5.75% of pensionable salary in excess of the year's maximum pensionable earnings. An additional 1.25% of pensionable salary is deducted and used to finance the payment of cost-of-livng supplementary allowances. In addition to matching the employees' contributions, the Branch contributes an additional 2.5% of pensionable salary for basic pension benefits.

An actuarial evaluation of the Public Service Superannuation Fund was made at March 31, 1984. Detaiis of the unfunded liability are described in the Public Service Superannuation Fund financial statements included in the Public Accounts. The portion of the unfunded liability attributable to the Liquor Distribution Branch was not determined by the actuary.

8. COMPARATIVE FIGURES

Certain comparative figures for the previous year have been reclassified to conform with the MARCH 31, 1986 financial statement presentation.

BRITISH COLUMBIA LIQUOR DISTRIBUTION BRANCH

OPERATING EXPENSES FOR THE YEAR ENDED MARCH 31, 1986

	Warehouse	Retail Store	Administration	1986 Total	1985 Total
Salaries and Wages	$ 4,529,772	$ 49,860,110	$ 7,844,009	$ 62,233,891	$ 60,444,173
Superannuation	333,864	3,649,281	571,624	4,554,769	4,497,080
Unemployment Insurance	124,600	1,361,928	213,332	1,699,860	1,625,892
Dental and Extended Health	84,531	923,964	144,730	1,153,225	1,053,839
Canada Pension	67,984	743,093	116,398	927,475	904,500
B.C. Medical	52,917	578,410	90,602	721,929	693,359
Workers' Compensation Board	45,250	494,598	77,474	617,322	585,821
Long Term Disability	31,875	348,407	54,575	434,857	432,852
Group Insurance	17,785	194,395	30,450	242,630	248,842
Staff Benefits	1,044	17,027	106,193	124,264	117,253
Rents	211,229	8,292,403	235,446	8,739,078	8,297,879
Data Processing	-	-	4,898,258	4,898,258	4,028,521
Freight to Stores	-	3,479,472	-	3,479,472	3,564,018
Agency Commissions	-	2,726,633	228,134	2,954,767	1,741,401
Depreciation	676,342	1,637,779	590,340	2,904,461	3,575,179
Light, Water and Fuel	392,808	1,546,873	679	1,940,360	2,026,149
Sundries	134,420	308,172	1,268,917	1,711,509	1,694,418
Repairs and Maintenance	80,967	902,321	539,317	1,522,605	1,252,748
Travelling	8,680	276,424	861,816	1,146,920	1,161,914
Store Wrapping Supplies	-	1,093,883	-	1,093,883	1,041,378
Printing, Stationery and Postage	3,443	46,172	979,368	1,028,983	827,630
Telephone and Telegraph	20,229	203,097	627,065	850,391	892,773
Janitorial and Scavenging	27,619	610,337	163,711	801,667	765,007
Property Charges	349,037	101,883	-	450,920	449,691
Armoured Car Service	-	-	299,772	299,772	539,399
Warehouse Equipment Costs	274,165	-	-	274,165	238,647
Bank Charges	-	-	18,723	18,723	364,765
Litter Act - Container Disposal Cost	-	-	16,433	16,433	48,995
	$ 7,468,561	$ 79,396,662	$ 19,977,366	$106,842,589	$103,114,123

BRITISH COLUMBIA LOTTERY CORPORATION

BRITISH COLUMBIA LOTTERY CORPORATION

AUDITORS' REPORT

To the Directors of the British Columbia Lottery Corporation

We have examined the balance sheet of the British Columbia Lottery Corporation as at March 31, 1986, and the statements of income, changes in amounts due to the Province of British Columbia, and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Corporation as at March 31, 1986, and the results of its operations, and the changes in the amounts due to the Province of British Columbia, and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Kamloops, British Columbia
May 30, 1986

Cook Bryan MacFayden
Chartered Accountants

BRITISH COLUMBIA LOTTERY CORPORATION

BALANCE SHEET

MARCH 31, 1986

	1986 ($000's)	1985 ($000's)
ASSETS		
Cash		
Prize funds	$ 4,874	$ -
Other	4,074	321
Receivables (Note 3)	10,146	2,182
Prepaid expenses	2,202	877
Fixed assets (Note 4)	20,766	21,940
	$ 42,062	$ 25,320
LIABILITIES		
Prizes payable	$ 7,815	$ -
Payable to Interprovincial Lottery Corporation	5,451	-
Accounts payable and accrued charges	5,912	9,642
Deferred revenue	2,523	2,396
Due to Federal Government	971	-
Due to Province of British Columbia		
Net income to be distributed	6,108	-
Lottery advances agreement (Note 5)	13,282	13,282
Share Capital (Note 6)	-	-
	$ 42,062	$ 25,320

APPROVED:

Director

Director

BRITISH COLUMBIA LOTTERY CORPORATION

STATEMENT OF CHANGES IN AMOUNTS DUE TO PROVINCE OF BRITISH COLUMBIA

YEAR ENDED MARCH 31, 1986

($000's)

Net Income	$ 113,206
Payments to Province during the year	97,960
Allocation of income to Government of Canada	9,138
Due to Province, end of year	$ 6,108
Lottery Advances Agreement, beginning of year	$ 13,282
Lottery Advances Agreement, end of year	$ 13,282

BRITISH COLUMBIA LOTTERY CORPORATION

STATEMENT OF INCOME

YEAR ENDED MARCH 31, 1986

($000's)

Lottery Sales (Note 7)	$ 330,061
Direct expenses	
Prizes	150,767
Retailer commissions	18,720
	169,487
Sales less direct expenses	160,574
Operating expenses	
Data processing and network	13,966
Marketing, draws, and promotions	7,927
Ticket printing	7,064
Administration	5,526
Sales and distribution	4,293
Depreciation	8,592
	47,368
Net Income	$ 113,206
Distribution of Net Income:	
Government of Canada (Note 8)	9,138
Province of British Columbia	104,068
	$ 113,206

BRITISH COLUMBIA LOTTERY CORPORATION

STATEMENT OF CHANGES IN FINANCIAL POSITION

YEAR ENDED MARCH 31, 1986

($000's)

	1986	1985
SOURCE OF FUNDS		
Net Income	$ 113,206	
Depreciation	8,592	
Funds provided by operations	121,798	
Lottery advances agreement		$ 13,282
Increase in payables	1,721	9,642
Increase in prizes payable	7,815	
Increase in deferred revenue	127	2,396
	131,461	25,320
APPLICATION OF FUNDS		
Acquisition of fixed assets	7,418	21,940
Increase in receivables	7,964	2,182
Increase in prepaid expenses	1,325	877
Payments to Provincial Government	97,960	
Payments to Federal Government	8,167	
	122,834	24,999
INCREASE DURING THE YEAR	8,627	321
CASH, BEGINNING OF YEAR	321	
CASH, END OF YEAR	$ 8,948	$ 321
CASH		
Prize Funds	4,874	
Other	4,074	321
	$ 8,948	$ 321

BRITISH COLUMBIA LOTTERY CORPORATION

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 1986

1. NATURE OF THE CORPORATION

The British Columbia Lottery Corporation was incorporated pursuant to the Company Act of British Columbia on October 25, 1984.

By an agreement dated March 29, 1985, the Province of British Columbia withdrew from the Western Canada Lottery Foundation. The Province designated the British Columbia Lottery Corporation as the authority to conduct and manage lottery games within British Columbia and to co-operate in the conduct and marketing of national and regional games with other Provinces of Canada. The Corporation commenced operations April 1, 1985.

The Pacific Express and Instant lottery games are conducted solely by the Corporation in the Province of British Columbia. The Corporation participates in Lotto West, a regional game, in co-operation with the Western Canada Lottery Corporation. The Provincial, Super Loto, and Lotto 6/49 lotteries are joint undertakings by all provinces acting through the Interprovincial Lottery Corporation.

The Interprovincial Lottery Corporation is incorporated under the Canada Business Corporations Act, and its shares are held by her Majesty the Queen in right of the respective provinces. The British Columbia Lottery Corporation is the regional marketing organization for the Provincial, Super Loto, and Lotto 6/49 in British Columbia.

2. ACCOUNTING PRINCIPLES

The financial statements of the Corporation have been prepared in accordance with generally accepted accounting principles. The more significant of these accounting principles are summarized below.

a. Deferred Revenue and Expenses

Revenue and expenses relating to draws held during the year ended March 31, 1986, are included in the statement of income on an accrual basis. Receipts from the

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sale of lottery tickets related to draws held subsequent to March 31, 1986, have been recorded as deferred revenue. Retailer commissions on these sales have been recorded as prepaid expenses.

b. Accounting for the Expenses of the Provincial, Super Loto, and Lotto 6/49

The Corporation records its proportionate share of operating expenses of the Interprovincial Lottery Corporation and interest revenue on prize funds.

As the Corporation is a regional marketing organization for the Provincial and Super Loto, it pays the cost of ticket printing and prizes for the Provincial and Super Loto to the Interprovincial Lottery Corporation as well as its share of the Lotto 6/49 prize expense. These costs are included with ticket printing and prize expense respectively.

c. Capital Expenditures

The Corporation's policy on capital purchases is that any major purchase which has a future useful life beyond the current year and which will materially affect income in the year purchased, will be capitalized. These expenditures include the cost of leasehold improvements, renovations, and furniture for the Corporation's offices in Kamloops, Richmond, and Victoria, major computer equipment purchases, all on-line gaming terminals, and all components of the Corporation's sign and fixture program for placement at the on-line game retailers' locations.

The Corporation's capital assets are recorded at their original cost and are depreciated on a straight-line basis according to their estimated useful life, using the following rates:

Leasehold improvements	20%
Furniture and equipment	20%
Computer equipment	33 1/3%
On-line gaming terminals	33 1/3%
Signs and Fixtures:	
Computer	33 1/3%
Non-computer	20%

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British Columbia Lottery Corporation
Notes To Financial Statements
March 31, 1986
- 3 -

d. Sales

Super Loto sales are reduced by the retail value of free tickets redeemed by the retailers.

3. RECEIVABLES

	1986 ($000's)	1985 ($000's)
Retailers	4,848	
Western Canada Lottery Corporation	3,502	2,116
Interprovincial Lottery Corporation	850	
Miscellaneous	946	66
	10,146	2,182

Receivables include the British Columbia Lottery Corporation's share of the unclaimed prize fund held by the Western Canada Lottery Corporation for unclaimed prizes with respect to lotteries conducted solely by the Western Canada Lottery Foundation prior to March 31, 1985. Pursuant to the Settlement Agreement of March 29, 1985, the amount of the unclaimed prize fund as of March 31, 1986, plus accrued interest, for draws conducted between April 1, 1984, and March 31, 1985, will be transferred to the British Columbia Lottery Corporation upon agreement between the Chief Executive Officers of the British Columbia Lottery Corporation and the Western Canada Lottery Corporation. The amount of the settlement which is estimated at $2,941,000 has been recorded as a receivable with the corresponding amount recorded as a liability for prizes payable. This amount will be dedicated to bonus prizes for games in British Columbia.

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British Columbia Lottery Corporation
Notes To Financial Statements
March 31, 1986
- 4 -

4. FIXED ASSETS

	1986 ($000's)			1985 ($000's)
	Cost	Accumulated Depreciation	Net	Net
Leasehold improvements	6,361	1,272	5,089	4,772
Furniture and equipment	2,593	519	2,074	1,689
Central system computer hardware	7,183	2,394	4,789	10,402
On-line gaming terminals	13,041	4,347	8,694	5,077
Signs and fixtures	180	60	120	-
	29,358	8,592	20,766	21,940

Pursuant to the Separation Agreement with the Western Canada Lottery Foundation, the Corporation purchased all operating equipment and assets of the Western Canada Lottery Foundation located in British Columbia for the nominal sum of $10, at which value these assets have been recorded.

All other assets were purchased under normal trade terms and are recorded at cost.

Certain expenditures capitalized as fixed assets in 1985 included consulting fees such as project management costs to start-up the on-line gaming system and related management information systems. These costs were expensed in 1986 being the first year of operations.

5. LOTTERY ADVANCES AGREEMENT

Under the Lottery Advances Agreement, the Corporation has agreed to conduct and manage lottery games in British Columbia and for that purpose the Corporation has a facility for advances from the Province, in an amount up to an aggregate of $25,000,000. The amount of the advance at March 31, 1986, is $13,282,332. The advance is not subject to interest and there are no specified terms of repayment.

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British Columbia Lottery Corporation
Notes To Financial Statements
March 31, 1986
- 5 -

As security for performance of the Corporation's obligations under the Lottery Advance's Agreement, the Corporation will, if requested by the Province, grant to the Province such mortgages, pledges, charges, or assignments as the Minister may require on the Corporation's assets.

6. SHARE CAPITAL

Authorized
10,000 Common Shares without par value

Issued
1 Common Share for $1.00

7. LOTTERY SALES

	($000's)
Lotto 6/49	$178,484
Instant	71,360
Super Loto	30,541
Provincial	19,855
Lotto West	19,437
Pacific Express	15,788
	335,465
Less Free Ticket Redemptions	5,404
	$330,061

8. PAYMENTS TO GOVERNMENT OF CANADA

The Interprovincial Lottery Corporation makes inflation-adjusted payments to the Government of Canada as a result of an agreement between the Provincial Governments and the Federal Government on the withdrawal of the Federal Government from the lottery field. The Corporation remits British Columbia's share of the above payments to the Interprovincial Lottery Corporation. Payments under this agreement are estimated to be $4,500,000 for the year ended March 31, 1987.

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In addition, a further agreement was signed between the provinces and the Federal Government whereby the provinces agreed to remit a further $100 million to the Federal Government over the next three years. The Corporation's share of this payment is $3,883,000 annually to December 31, 1987.

9. LEASE OBLIGATIONS

Long-term office space leases will expire as follows: Kamloops, 1994; Richmond, 1995; Victoria, 1987; and Kelowna, 1987.

Minimum annual rental payments for the next five years are disclosed below.

	($000's)
1986-87	$538
1987-88	492
1988-89	485
1989-90	495
1990-91	508

10. SUBSEQUENT EVENTS

On April 20, 1986, the Corporation commenced sales of a new on-line lottery game, Lotto BC. The game is conducted only in British Columbia and features fixed lower-end prize categories and parimutual upper-end prize funds with a jackpot of never less than $150,000.

11. PREVIOUS YEARS FIGURES

Certain 1985 Balance Sheet figures have been consolidated to conform to the balance sheet classifications adopted in 1986.

B.C. PAVILION CORPORATION

Deloitte
Haskins + Sells

Chartered Accountants

Suite 2000
1055 Dunsmuir Street
P.O. Box 49279
Four Bentall Centre
Vancouver, B.C. V7X 1P4
(604) 669-4466
Telex 04-54414

AUDITORS' REPORT

To the Shareholder of
B.C. Pavilion Corporation:

We have examined the balance sheet of B.C. Pavilion Corporation as at March 31, 1986 and the statements of receipts and expenditures and surplus and of changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the company as at March 31, 1986 and the results of its operations and the changes in its financial position for the year then ended in accordance with accounting principles outlined in Note 1 applied on a consistent basis with that of the preceding period.

Deloitte Haskins & Sells

Chartered Accountants

April 18, 1986
Vancouver, British Columbia

B.C. PAVILION CORPORATION

BALANCE SHEET

MARCH 31, 1986

	1986	1985
ASSETS		
CURRENT ASSETS		
Cash	$3,594,195	$ 850,859
Term deposits	384,709	15,330,240
Interest receivable	380,279	1,486,722
Inventory	62,000	-
Prepaid expenses and sundry receivables	28,406	24,591
	4,449,589	17,692,412
FIXED ASSETS (Note 2)	71,085	102,069
	$4,520,674	$17,794,481
LIABILITIES		
CURRENT LIABILITIES		
Bank loan	$ -	$ 155,000
Accounts payable	801,367	334,861
Rent deposit	13,500	-
	814,867	489,861
SHAREHOLDER'S EQUITY		
SHARE CAPITAL (Note 3)	1	1
SURPLUS	3,705,806	17,304,619
	3,705,807	17,304,620
	$4,520,674	$17,794,481

Approved by the Board:

.....Director

.....Director

B.C. PAVILION CORPORATION

STATEMENT OF RECEIPTS AND EXPENDITURES AND SURPLUS

YEAR ENDED MARCH 31, 1986

	Year Ended March 31, 1986	Period May 3, 1984 to March 31, 1985
RECEIPTS		
Grant	$ -	$19,000,000
Interest (substantially from Province of British Columbia)	1,408,501	1,949,981
Contributions	12,263,227	77,198
Miscellaneous	8,643	-
	13,680,371	21,027,179
EXPENDITURES		
Exhibitry	18,623,726	2,002,233
Salaries and benefits	1,436,907	613,042
Professional fees	117,959	212,977
Legal and audit	90,681	50,863
Consultants' fees	19,026	210,758
Travel and promotion	156,804	98,703
Corporate participation	65,442	18,432
Dues and subscriptions	8,177	10,652
Expo participation fee	3,197,800	-
Rents	164,790	136,784
Depreciation	32,647	49,976
Bank charges and interest	8,750	4,177
Insurance	40,715	2,252
Office and communication	204,604	118,356
Marketing and public relations	943,125	192,166
Protocol	10,066	-
General operating	40,720	-
Uniforms	79,396	-
Operations' staff living expense subsidies	68,046	-
Physical plant	121,488	-
Official participation	49,986	-
Public affairs events	203,799	-
Mobile Pavilion	978,756	-
Performances - administration	159,406	-
- events	420,736	-
Construction management	35,632	-
Sundry	-	1,189
	27,279,184	3,722,560
(SHORTFALL) EXCESS OF RECEIPTS OVER EXPENDITURES	(13,598,813)	17,304,619
SURPLUS, BEGINNING OF PERIOD	17,304,619	-
SURPLUS, END OF PERIOD	$ 3,705,806	$17,304,619

B.C. PAVILION CORPORATION

STATEMENT OF CHANGES IN FINANCIAL POSITION

YEAR ENDED MARCH 31, 1986

	Year Ended March 31, 1986	Period May 3, 1984 to March 31, 1985
SOURCES (USES) OF CASH		
(Shortfall) excess of receipts over expenditures	$(13,598,813)	$ 17,304,619
Item not affecting working capital		
Depreciation	32,647	49,976
	(13,566,166)	17,354,595
Term deposits	14,945,531	(15,330,240)
Interest receivable	1,106,443	(1,486,722)
Inventory	(62,000)	-
Prepaid expenses and sundry receivables	(3,815)	(24,591)
Accounts payable	466,506	334,861
Rent deposit	13,500	-
Issue of share capital	-	1
Purchase of fixed assets	(1,663)	(152,045)
Bank loan	(155,000)	155,000
INCREASE IN CASH	2,743,336	850,859
CASH, BEGINNING OF PERIOD	850,859	-
CASH, END OF PERIOD	$ 3,594,195	$ 850,859

B.C. PAVILION CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 1986

The company was incorporated on May 3, 1984 and its objectives are to stage an entertaining presentation at Expo 86 and to promote the resources, technology, trade, investment and tourist potential of British Columbia through the exhibitry located in the B.C. Pavilion, which is owned by its parent company.

The company has budgeted expenditures of approximately $46,000,000, of which $31,000,000 has been expended with the balance to be spent during the next fiscal period.

1. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with the following policies:

Inventory

Inventory is valued at the lower of cost and estimated net realizable value.

Fixed assets

Fixed assets are carried at cost less accumulated depreciation. Depreciation is provided as follows:

Motor vehicles	-	30% per annum declining-balance method
Furniture and equipment	-	30% per annum straight-line basis
Models	-	50% per annum straight-line basis

Receipts and expenditures

Receipts and expenditures are recorded on the accrual basis except for contributions which are recorded when received. Grants and contributions are to be used to offset all expenditures incurred or to be incurred in meeting the company's objectives.

Expenditures include all costs incurred during the period to purchase and install the exhibits, including building improvements, that will be on display during Expo 86. After the end of the fair, the exhibits will be disposed and any receipts therefrom will be used to offset the expenditures incurred by the company.

B.C. PAVILION CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 1986

2. FIXED ASSETS

	1986			1985
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Motor vehicles	$ 29,330	$18,810	$10,520	$ 20,531
Furniture and equipment	100,385	39,820	60,565	69,541
Models	23,993	23,993	-	11,997
	$153,708	$82,623	$71,085	$102,069

3. SHARE CAPITAL

	1986	1985
Authorized		
10,000 common shares with no par value		
Issued and fully paid		
1 common share	$ 1	$ 1

4. INCOME TAXES

The company is exempt from income taxes as it is a wholly-owned subsidiary of British Columbia Place Ltd. (B.C. Place), a Crown corporation.

5. RELATED PARTY TRANSACTIONS

Transactions with related parties not separately disclosed in these financial statements are as follows:

	Year ended March 31, 1986	Period ended March 31, 1985
Expenditures charged by B.C. Place	$4,218,351	$933,796
Amounts included in accounts payable for B.C. Place	114,325	272,698
Contributions received from British Columbia Crown Corporations	4,990,000	77,198
Contributions received from Ministries of the Province of British Columbia	4,888,114	-
Office rental charged by British Columbia Buildings Corporation	71,008	85,167
Fee for participation in Expo 86 (net of $1,000,000 to reimburse the company for costs to be incurred for hosting guests of Expo 86)	3,197,800	-
Grant from Province of British Columbia	-	19,000,000

BRITISH COLUMBIA PETROLEUM CORPORATION

WOLRIGE MAHON
CHARTERED ACCOUNTANTS

A.F. WOLRIGE B.COM., C.A. | W. GELLER C.A. | M.A. SCHWEITZER B.A., C.A.
K.W. MAHON B.COM., FCA | A.A. McCREADY C.A. | J.B. SMILEY B.COM., C.A.
D.C. SELMAN LL.B., FCA | P. GASTER C.A. | J. RAAGNER B.A., C.A.
W.J. COBB C.A. | G.W. SMITH B.A., C.A.

AUDITORS' REPORT

To the Lieutenant-Governor in Council
Province of British Columbia:

We have examined the balance sheet of the Petroleum Corporation Fund as at March 31, 1986, and the statements of revenue, expenditure and surplus and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements, present fairly the financial position of the Fund as at March 31, 1986, and the results of its operations and the changes in its financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

WOLRIGE MAHON

Wolrige Mahon

Chartered Accountants

VANCOUVER, B.C.

May 30, 1986

NINTH FLOOR, 400 BURRARD STREET, VANCOUVER, BRITISH COLUMBIA V6C 3B7 – TELEPHONE (604) 684-6212

PETROLEUM CORPORATION FUND

Balance Sheet

March 31, 1986

	1986	1985
ASSETS		
Current assets		
Cash	$ 32,667,029	$ 30,086,632
Accounts receivable	4,365,524	97,042,792
Prepaid expenses	-	33,772
Deferred receivable due within one year (Note 5)	3,222,222	-
	40,254,775	127,163,196
Prepaid gas (Note 3)	54,246,565	112,139,002
Property account (Note 4)	269,567	259,592
Other assets		
Deferred receivable (Note 5)	41,777,778	42,465,279
Debt issue expenses	84,840	127,260
Mortgages	63,980	68,169
	41,926,598	42,660,708
	$ 136,697,505	$ 282,222,498
LIABILITIES AND SURPLUS		
Current liabilities		
Accounts payable and accrued charges	$ 1,124,397	$ 85,424,516
Deferred liability due within one year (Note 6)	1,000,000	-
	2,124,397	85,424,516
Liability for future gas supply	-	30,475,487
Deferred liability (Note 6)	4,000,000	2,465,279
Long-term debt (Note 7)	30,000,000	30,000,000
Surplus	100,573,108	133,857,216
	$ 136,697,505	$ 282,222,498

Commitments (Note 10)

Approved by the Directors:

Director

Director

See accompanying notes to financial statements

WOLRIGE MAHON
Chartered Accountants

PETROLEUM CORPORATION FUND

Statement of Revenue, Expenditure and Surplus

Year ended March 31, 1986

	1986	1985
Revenue		
Sales from natural gas, natural gas liquids and sulphur (Note 2)	$ 59,203,639	$ 543,651,962
Expenditure		
Gas and by-product purchases	61,906,935	404,888,963
Administrative and general expenses	944,543	1,944,981
	62,851,478	406,833,944
Operating loss (income) before interest	3,647,839	(136,818,018)
Interest (Note 8)	5,363,731	3,195,124
Net income	1,715,892	140,013,142
Surplus at beginning of year		
As previously reported	135,904,969	82,891,827
Adjustment of prior years' net income (Note 9)	2,047,753	2,047,753
As restated	133,857,216	80,844,074
	135,573,108	220,857,216
Deduct: Transfers to Provincial Treasury	35,000,000	87,000,000
Surplus at end of year	$ 100,573,108	$ 133,857,216

See accompanying notes to financial statements

PETROLEUM CORPORATION FUND

Statement of Changes in Financial Position

Year ended March 31, 1986

	1986	1985
Operating Activities		
Operations		
Net income	$ 1,715,891	$ 140,013,142
Add items not involving a flow of cash:		
- Depreciation and amortization	131,820	110,400
- Loss (gain) on disposal of fixed assets	(4,568)	1,121
Cash from operations	1,843,143	140,124,663
Recovery of prepaid gas	57,892,437	(6,320,919)
Payment on future gas supply	(30,475,487)	(3,765,648)
Prior years' adjustment (Note 9)	-	(2,047,753)
Transfers to Provincial Treasury	(35,000,000)	(87,000,000)
	(5,739,907)	40,990,343
Financing Activities		
Mortgages	4,189	9,103
Increase in deferred liability	2,534,721	2,465,279
	2,538,910	2,474,382
Investing Activities		
Property additions	(99,596)	(115,863)
Proceeds from sale of fixed assets	4,790	325
Increase in deferred receivable	(2,534,721)	(10,010,685)
	(2,629,527)	(10,126,223)
Changes in non-cash working capital:		
Accounts receivable	92,677,268	(44,179,984)
Prepaid expenses	33,772	31,361
Accounts payable and accrued charges	(84,300,119)	14,557,568
	8,410,921	(29,591,055)
Increase in cash position during the year	2,580,397	3,747,447
Cash position at beginning of year	30,086,632	26,339,185
Cash position at end of year	$ 32,667,029	$ 30,086,632

See accompanying notes to financial statements

PETROLEUM CORPORATION FUND

Notes to the Financial Statements

For the year ended March 31, 1986

Note 1 Statutory Requirements

The Petroleum Corporation Fund is established by the Petroleum Corporation Act, 1973, as amended.

Note 2 Significant Accounting Policies

Consolidation

The Petroleum Corporation Fund financial statements include the accounts of the Corporation's subsidiary, British Columbia Gas Corporation.

Gas Sales

Under the terms of an agreement between Westcoast Transmission Company Limited and British Columbia Petroleum Corporation effective November 1, 1973, the Corporation sells natural gas to Westcoast Transmission Company Limited at a price equal to the gross revenue received by that Company on the resale thereof less that Company's cost of service, in respect of gathering, processing and transporting the gas, for the month in which such resale takes place. Prior to July 1, 1985, the revenue from sales of natural gas was paid into the Petroleum Corporation Fund. Effective July 1, 1985, the revenue from such sales is paid into the Natural Gas Price Adjustment Fund, as required by the Natural Gas Price Act, 1985.

Depreciation

Furniture, equipment, automobile and leasehold improvements are recorded at cost and depreciation is provided at rates considered adequate to amortize the cost over the service lives of the assets. Depreciation is computed on a straight-line basis.

Note 3 Prepaid Gas

Under its gas purchase contracts with producers, the Corporation is obligated to purchase and take delivery of, or pay for, a specified minimum annual volume of gas. In the contract years 1980-1985 inclusive, the Corporation was unable to take delivery of the minimum volume of gas and, therefore, is liable to pay for the resulting shortfall (deficiency gas). The Corporation is entitled to take delivery of deficiency gas within a period of ten years from the date incurred, with an adjustment for the prices prevailing when such gas is delivered.

Note 4 Property Account

	Cost	Accumulated Depreciation & Amortization	1986 Net Book Value	1985 Net Book Value
Furniture	$ 382,048	$ 214,274	$ 167,774	$ 155,161
Automobiles	35,855	16,256	19,599	16,076
Leasehold improvements	250,538	168,344	82,194	88,355
	$ 668,441	$ 398,874	$ 269,567	$ 259,592

Note 5 Deferred Receivable

The deferred receivable of $45,000,000 represents the amount of credit extended to Ocelot Investments Ltd. as at March 31, 1986, under an agreement with the Corporation and its subsidiary, British Columbia Gas Corporation. Of this receivable, which is secured by a first fixed and floating charge on the assets of that company, repayment of $40,000,000 will commence on May 1, 1986, and is repayable over eighteen years with interest at three quarters of one percent over prime and repayment of $5,000,000 will commence on that date and is repayable over five years at the same interest rate.

Note 6 Deferred Liability

The deferred liability of $5,000,000 represents the deferral, under an agreement with Pacific Northern Gas Ltd, in the payment of a portion of the billing for gas delivered to British Columbia Gas Corporation. This amount, including accrued interest at a rate of not less than three quarters of one percent over prime, is repayable over five years commencing May 1, 1986.

Note 7 Long-Term Debt

Long-term debt comprises $30,000,000 11 3/8 Notes, due in 1988, which are unconditionally guaranteed as to principal and interest by the Province of British Columbia.

Note 8 Interest

	1986	1985
Interest Income		
Province of British Columbia	$ 3,962,653	$ 2,164,462
Other	4,855,998	5,080,781
	8,818,651	7,245,243
Less: Interest expense	3,412,500	4,007,152
Amortization of debt issue expenses	42,420	42,967
	3,454,920	4,050,119
	$ 5,363,731	$ 3,195,124

Note 9 Prior Years' Adjustment

As a result of the settlement of claims made against the Corporation relating to the marketing of sulphur in the years 1979-1981, the surplus at March 31, 1985, previously reported as $135,904,969, has been reduced by $2,047,753, representing the balance of the settlement which had not previously been provided by the Corporation.

Note 10 Commitments

(1) Under agreements with producers which waive the Corporation's liability to pay for deficiency gas incurred in 1980, the Corporation is committed to purchase and take delivery of, or pay for, a specified volume of such gas in each year to 1991. At March 31, 1986, the Corporation's aggregate liability under these agreements was estimated at approximately $18,849,000.

(2) The Corporation has commitments under agreements for the lease of office premises extending to 1989. The aggregate rentals payable under leases amounted to approximately $824,000 at March 31, 1986.

WOLRIGE MAHON
CHARTERED ACCOUNTANTS

A.F. WOLRIGE B.COM., C.A. | W. GEELEN C.A. | M.A. SCHWEITZER B.A., C.A.
K.W. MAHON B.COM., F.C.A. | A.A. McCREADY C.A. | J.B. SMILEY B.COM., C.A.
D.C. SELMAN LL.B., F.C.A. | P. GASTLER C.A. | J. RAAGNER B.A., C.A.
W.J. COBB C.A. | G.W. SMITH B.A., C.A.

AUDITORS' REPORT

To the Lieutenant-Governor in Council
Province of British Columbia:

We have examined the balance sheet of the Natural Gas Price Adjustment Fund as at March 31, 1986, and the statement of revenue and expenditure for the nine months then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Fund as at March 31, 1986, and the results of its operations for the nine months then ended, in accordance with generally accepted accounting principles.

WOLRIGE MAHON

Wolrige Mahon

Chartered Accountants

VANCOUVER, B.C.

May 30, 1986

NINTH FLOOR, 400 BURRARD STREET, VANCOUVER, BRITISH COLUMBIA V6C 3B7 – TELEPHONE (604) 684-6212

NATURAL GAS PRICE ADJUSTMENT FUND

Balance Sheet

March 31, 1986

ASSETS

Cash	$ 22,172,263
Accounts receivable	48,264,648
Prepaid expenses	3,243
	$ 70,440,154

LIABILITIES

Accounts payable and accrued charges	$ 44,494,593
Amount available for distribution (Note 2)	25,945,561
	$ 70,440,154

Approved by the Directors:

Director

Director

See accompanying notes to financial statements

NATURAL GAS PRICE ADJUSTMENT FUND

Statement of Revenue and Expenditure

Nine months ended March 31, 1986

Revenue	
Sales from natural gas, natural gas liquids and sulphur (Note 2)	$ 449,485,486
Interest	381,530
	449,867,016
Expenditure	
Natural gas purchases	378,195,199
Price adjustments	20,776,309
Payments for natural gas liquids	23,534,870
Administrative and general expenses	1,415,077
	423,921,455
Amount available for distribution (Note 2)	$ 25,945,561

See accompanying notes to financial statements

NATURAL GAS PRICE ADJUSTMENT FUND

Notes to the Financial Statements

Nine months ended March 31, 1986

Note 1 Statutory Requirements

The Natural Gas Price Adjustment Fund is established by the Natural Gas Price Act, 1985.

Note 2 Significant Accounting Policies

Gas Sales

Under the terms of an agreement between Westcoast Transmission Company Limited and British Columbia Petroleum Corporation effective November 1, 1973, the Corporation sells natural gas to Westcoast Transmission Company Limited at a price equal to the gross revenue received by that Company on the resale thereof less that Company's cost of service, in respect of gathering, processing and transporting the gas, for the month in which such resale takes place. The revenue from sales of natural gas is paid into the Natural Gas Price Adjustment Fund for subsequent distribution to producers, as required by the Natural Gas Price Act. Prior to July 1, 1985, the revenue from such sales was paid into the Petroleum Corporation Fund.

Changes in Financial Position

A statement of changes in financial position is not provided as disclosure of such information in these financial statements is considered to be adequate.

Note 3 Comparative Figures

As this is the first reporting period of the fund, no comparative figures are provided.

BRITISH COLUMBIA PLACE LTD.

Province of
British Columbia

Office of the
Auditor General
Province of British Columbia

8 Bastion Square
Victoria
British Columbia
V8V 1X4

AUDITOR'S REPORT

To the Shareholder of British Columbia Place Ltd., and

To the Minister of Post-Secondary Education
Province of British Columbia

I have examined the balance sheet of British Columbia Place Ltd. as at 31 March 1986 and the statements of operations and deficit, stadium operations and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the company as at 31 March 1986 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Furthermore, the information required by section 200(2)(a) of the Company Act, R.S.B.C. 1979, which is provided in Note 8 to the financial statements is satisfactory.

Erma Morrison

Erma Morrison, F.C.A.
Auditor General

Victoria, British Columbia
16 May 1986

BRITISH COLUMBIA PLACE LTD. STATEMENT 1

BALANCE SHEET

AS AT MARCH 31, 1986

	1986	1985
	(in thousands of dollars)	
ASSETS		
Cash	$ 1,883	$ ---
Accounts receivable and prepaid expenses (note 3)	5,741	4,453
Land and site services (note 4)	131,313	130,940
Stadium (note 5)	159,887	162,609
B.C. Pavilion and Roundhouse (note 6)	52,694	22,526
Furniture, equipment and leasehold improvements (note 7)	407	568
Deferred charges, less amortization	464	892
Mortgages receivable	231	2,709
Investment in B.C. Pavilion Corporation (note 8)	-	-
	$ 352,620	$ 324,697
LIABILITIES		
Bank overdraft	$ ---	$ 251
Accounts payable and accrued liabilities	8,966	10,604
Accrued interest	4,674	4,350
Provision for future costs	2,132	647
Long-term debt (note 9)	138,832	105,972
Deferred income	1,661	1,924
	156,265	123,748
SHAREHOLDER'S EQUITY		
Share capital (note 10)	-	-
Contributed surplus (note 11)	205,000	205,000
Deficit	8,645	4,051
	196,355	200,949
	$ 352,620	$ 324,697

The accompanying notes are an integral part of these financial statements.

Approved by the Board:

Stanley Kwok, Director

John F. Newton, Director

BRITISH COLUMBIA PLACE LTD. STATEMENT 2

STATEMENT OF OPERATIONS AND DEFICIT

FOR THE YEAR ENDED MARCH 31, 1986

	1986	1985
	(in thousands of dollars)	
Revenue		
Land lease revenue	$ 3,360	$ 693
Land sales revenue	763	---
	4,123	693
Expenses		
Cost of land lease	2,623	1,674
Cost of land sales	1,509	---
General and administrative expenses	1,682	610
Amortization of deferred charges	220	220
	6,034	2,504
Loss from land operations	1,911	1,811
Loss from Stadium operations (Statement 3)	2,683	2,078
Loss for the year	4,594	3,889
Deficit, beginning of year	4,051	162
Deficit, end of year	$ 8,645	$ 4,051

The accompanying notes are an integral part of these financial statements.

BRITISH COLUMBIA PLACE LTD. STATEMENT 3

STATEMENT OF STADIUM OPERATIONS

FOR THE YEAR ENDED MARCH 31, 1986

	1986	1985
	(in thousands of dollars)	
Revenue	$ 6,899	$ 7,104
Expenses		
Salaries, wages and benefits	1,963	1,880
Operating expenses	1,966	2,472
Advertising and business development	376	357
General administration	529	367
Professional services	45	106
	4,879	5,182
Income before depreciation and amortization	2,020	1,922
Depreciation	4,408	3,698
Amortization of deferred charges	295	302
	4,703	4,000
Loss from Stadium operations	$ 2,683	$ 2,078

The accompanying notes are an integral part of these financial statements.

BRITISH COLUMBIA PLACE LTD. STATEMENT 4

STATEMENT OF CHANGES IN FINANCIAL POSITION

FOR THE YEAR ENDED MARCH 31, 1986

	1986	1985
	(in thousands of dollars)	
Operating activities		
Loss from operations	$ (4,594)	$ (3,889)
Depreciation (Stadium)	4,408	3,698
Depreciation component of general and administrative expenses (land operations)	114	63
Provision for future costs	1,485	647
Amortization of deferred charges	515	522
Operating working capital*	(798)	4,356
Net cash from operating activities	1,130	5,397
Investment activities		
B.C. Pavilion and Roundhouse, cost	38,469	33,886
B.C. Pavilion and Roundhouse, recovery	(21,417)	(15,397)
Land and site services	13,489	30,700
Stadium	1,686	1,372
Furniture, equipment and leasehold improvements	67	446
Depreciation component of carrying costs capitalized	(114)	(147)
Net cash used for investment activities	32,180	50,860
Cash provided by financing activities		
Issue of long-term debt	32,860	42,268
Increase in accrued interest	324	2,503
Net cash provided by financing activities	33,184	44,771
Increase (decrease) in cash during the year	2,134	(692)
Cash position at beginning of year	(251)	441
Cash position at end of year	$ 1,883	$ (251)

* Operating working capital consists of accounts receivable, prepaid expenses, accounts payable and accrued liabilities, deferred income, deferred charges and mortgage receivable.

The accompanying notes are an integral part of these financial statements.

BRITISH COLUMBIA PLACE LTD.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 1986

1. The Company

British Columbia Place Ltd. was incorporated under the Company Act of British Columbia and is also a Crown Corporation having special powers under the British Columbia Place Act.

The Company was established in 1980 to assemble approximately 224 acres of land adjacent to False Creek, to plan and manage an urban redevelopment project that includes the operation of a stadium as well as other public facilities.

2. Significant accounting policies

(a) Capitalization of costs

The Company capitalizes all direct acquisition, construction and development costs relating to land and site services and to public facilities which include the Stadium, B.C. Pavilion and Roundhouse. Also capitalized are carrying costs which include interest, grants in-lieu-of property taxes, other related costs and the applicable portion of general and administrative expenses less temporary lease revenue and interest income. All other assets are recorded at cost.

(b) Allocation of land and site services costs to public facilities

Land and site services costs are allocated to public facilities upon substantial completion of both the facility and related site development.

Land cost is allocated on a net developable acreage basis. Site services costs are allocated on the basis of their benefit to the facility.

(c) Depreciation and amortization

The Stadium structure, plaza and parkade are depreciated by the sinking fund method over 50 years in a series of annual instalments increasing at the rate of 5% compounded annually. The Company anticipates residual value of 10% of cost in calculating the depreciation charge.

2. Significant accounting policies - continued

All other assets are depreciated or amortized by the straightline method over their useful lives or lease terms. The estimated lives of these assets are between three and 25 years.

(d) Amortization of deferred charges

Stadium operations start-up costs incurred prior to the commencement of operations on June 19, 1983 are amortized on a straight-line basis over three years.

Marketing expenses relating to land operations incurred prior to March 31, 1985 are amortized against the land lease revenue on a straight-line basis over three years.

B.C. Pavilion operations start-up costs incurred prior to the commencement of operations will be amortized on a straight-line basis over three years.

Debt discount on long-term debt is deferred and amortized on a straight-line basis over the term of the debt.

(e) Accounting for land sales and land leases

Revenue from land sales and leases is recognized when all material requirements related to the transactions have been met and cash or appropriate security equal to at least 15% of the total proceeds has been received.

Land leases for periods of 65 to 99 years, where all revenue is received within the first three years and where no costs or risks with respect to the land are retained by the Company, are accounted for using the method prescribed for sales-type leases. Under this method, income or loss is recognized at the inception of the lease as though the land had been sold.

Land and site services costs attributable to both sales and leases are allocated on a net developable acreage basis. These costs include a provision for the estimated costs required to complete the development which are recorded as "Provision for future costs".

(f) Land and site services for resale

Land and site services are recorded at the lower of cost or market.

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 1986

2. Significant accounting policies - continued

(g) Sinking funds

Payments made to sinking funds with respect to retirement provisions of sinking fund debentures are netted against long-term debt until such time as the debentures are redeemed and cancelled. Interest earned on the sinking funds is treated as interest income with a corresponding increase in the sinking funds.

(h) Income taxes

The Company is exempt from Federal and Provincial income taxes.

3. Accounts receivable and prepaid expenses

	1986	1985
	(in thousands of dollars)	
Expo 86 Corporation	$ 975	$ 3,183
B.C. Pavilion Corporation	114	276
Other accounts receivable	4,153	629
Prepaid expenses	499	365
	$ 5,741	$ 4,453

4. Land and site services

	1986	1985
	(in thousands of dollars)	
At April 1	$ 130,940	$ 133,373
Capitalization of costs:		
Direct	5,577	18,779
Carrying (note 2(a))	10,548	9,633
	147,065	161,785
Costs allocated (notes 2(b) and (e))	(15,752)	(30,845)
At March 31	$ 131,313	$ 130,940

Carrying costs capitalized are as follows:

Interest	$ 9,070	$ 7,667
Grants in-lieu-of property taxes	369	489
General and administrative, net	1,109	1,477
	$ 10,548	$ 9,633

4. Land and site services - continued

	1986	1985
	(in thousands of dollars)	
Costs allocated are as follows:		
Land sales	$ 1,000	$ ---
Land leases	1,636	1,027
Stadium (note 5)	---	29,818
B.C. Pavilion	12,092	---
Roundhouse	1,024	---
	$ 15,752	$ 30,845

The cost of land and site services as at March 31, 1986 includes land related to sales-type leases which have been reduced to a nominal value.

5. Stadium

	1986			1985
	Cost	Accumulated depreciation	Net book value	Net book value
		(in thousands of dollars)		
Land and site services	$ 29,904	$ ---	$ 29,904	$ 29,904
Structure	91,388	1,171	90,217	91,418
Plaza and parkade	9,625	85	9,540	9,578
Roof	11,107	1,222	9,885	11,005
Seats	6,094	670	5,424	5,701
Scoreboard	5,581	1,534	4,047	4,629
Other assets	16,385	5,515	10,870	10,374
	$ 170,084	$ 10,197	$ 159,887	$ 162,609

Other assets include artificial turf, advertising panels, audio-visual systems, telephone system, stadium modifications, mobile and portable equipment, concessions equipment, private box fixtures, furniture, office equipment and parking lots.

6. B.C. Pavilion and Roundhouse

	1986	1985
	(in thousands of dollars)	
At April 1	$ 22,526	$ 728
Capitalization of Costs:		
Direct	32,975	34,547
Carrying (note 2(a))	5,494	3,185
	60,995	38,460

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 1986

6. B.C. Pavilion and Roundhouse - continued

	1986	1985
	(in thousands of dollars)	
Allocations:		
Land	10,297	---
Site services	2,819	---
	13,116	---
	74,111	38,460
Recoveries:		
Expo 86 Corporation	17,138	15,213
B.C. Pavilion Corporation	3,889	721
Other	390	---
	21,417	15,934
At March 31	$ 52,694	$ 22,526
Carrying costs capitalized are as follows:		
Interest	$ 5,102	$ 2,410
General and administrative, net	392	775
	$ 5,494	$ 3,185

The B.C. Pavilion and Roundhouse were constructed by the Company and were turned over to Expo 86 Corporation at the end of this fiscal year. These public facilities will be returned to the Company no later than June 30, 1987.

7. Furniture, equipment and leasehold improvements (excluding Stadium)

	1986			1985
	Cost	Accumulated depreciation and amortization	Net book value	Net book value
	(in thousands of dollars)			
Furniture and equipment	$ 835	$ 484	$ 351	$ 470
Leasehold improvements	227	171	56	98
	$ 1,062	$ 655	$ 407	$ 568

8. Investment in B.C. Pavilion Corporation

The Company owns the only outstanding share of the B.C. Pavilion Corporation at a cost of $1. The B.C. Pavilion Corporation was incorporated on May 3, 1984 for the purpose of developing and operating the exhibitry at the B.C. Pavilion Complex for the 1986 World Exposition and it is expected this corporation will commence winding up its affairs immediately following the Exposition.

The B.C. Pavilion Corporation has a separate Board of Directors appointed by and reporting to the Minister of International Trade and Investment and is funded independently of the Company. Due to the specialized purpose of the B.C. Pavilion Corporation and its independence from any influence by the Company, the investment is accounted for in the Company's accounts at cost.

The B.C. Pavilion Corporation's summary financial statements are as follows:

(a) B.C. Pavilion Corporation
Balance Sheet as at March 31, 1986

	1986	1985
	(in thousands of dollars)	
ASSETS		
Cash and term deposits	$ 3,979	$ 16,181
Interest receivable	380	1,487
Prepaid expenses and sundry receivables	91	25
Fixed assets	71	102
	$ 4,521	$ 17,795

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 1986

8. Investment in B.C. Pavilion Corporation - continued

	1986	1985
	(in thousands of dollars)	
LIABILITIES AND EQUITY		
Bank loan	$ ---	$ 155
Accounts payable	815	335
Share capital		
Surplus	3,706	17,305
	$ 4,521	$ 17,795

(b) B.C. Pavilion Corporation
Statement of Receipts and Expenditures and Surplus

	1986	Period May 3, 1984 March 31, 1985
	(in thousands of dollars)	
Grant, interest and contributions	$ 13,680	$ 21,027
Expenditures	27,279	3,722
(Shortfall) Surplus	$ (13,599)	$ 17,305

The accounting policies of B.C. Pavilion Corporation are consistent with those of the Company except for contributions which are recorded on a cash basis, and receipts and expenditures prior to the commencement of its exhibitry operations which are recognized or written off in the period when they occur.

9. Long-term debt

	1986	1985
	(in thousands of dollars)	
Sinking fund debenture, Series BCP-PRE-1, maturing on October 1, 1989 and bearing interest at 12.75%	$ 35,000	$ 35,000
Sinking fund debenture, Series PD-1, maturing on October 26, 1990 and bearing interest at 11.75%	30,000	30,000
12.25% note, Series PJC-1, maturing on January 31, 1996	10,000	10,000

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 1986

9. Long-term debt - continued

Short-term notes maturing between April 1, 1986 and September 25, 1986 at an annual weighted average interest rate of 10.99% (as at March 31, 1985 - 10.20%)	66,052	31,660
Total principal	141,052	106,660
Less: Sinking fund, including earned interest, on deposit with the Minister of Finance, Province of British Columbia	(2,220)	(688)
	$ 138,832	$ 105,972

(a) Principal repayment and sinking fund requirements of the Series BCP-PRE-1, Series PD-1 note and Series PJC-1 note debentures during each of the five years subsequent to March 31, 1986 are as follows:

Years ending March 31,	(in thousands of dollars)
1987	$ 1,420
1988	$ 1,420
1989	$ 1,420
1990	$ 36,420
1991	$ 31,656

At the option of the Minister of Finance, the sinking fund debenture BCP-PRE-1 maturing in 1989, may be called prior to maturity, in whole or in part, under certain conditions or thirty days written notice.

(b) The Province of British Columbia has unconditionally guaranteed the principal and interest on the sinking fund debenture Series PD-1.

(c) The principal amount of the Series PJC-1 note is repayable in five instalments at 10% of principal amount for each instalment in the years 1991 to 1995, inclusive, with a final instalment of 50% of principal amount on January 31, 1996, or upon prior demand.

9. Long-term debt - continued

(d) The Company has a funding agreement with the Province of British Columbia whereby short-term funding required by the Company to carry out its day-to-day operations, over and above revenues received from all sources, is provided by the Province of British Columbia amended up to a maximum amount of $125,000,000 (previously $73,000,000) outstanding at any one time during the period commencing January 16, 1984 and ending on a date mutually agreed upon by both parties in writing. Under this agreement, short-term notes are renewed upon maturity as required by the Company.

10. Share capital

Authorized: 10,000 common shares, without par value.

Issued and fully paid: one share to British Columbia Buildings Corporation - $1. The Minister of Finance for the Province of British Columbia retains voting rights of this share.

11. Contributed surplus

Contributed surplus represents an equity investment by British Columbia Buildings Corporation in the amount of $205 million coincident with the acquisition of the only outstanding share of the Company from the Crown in right of the Province.

12. Contractual commitments

The Company has entered into various agreements to provide for site services. As at March 31, 1986, the total value of outstanding commitments was $2,125,000 (1985 $1,245,000).

13. Related party transactions

(a) Expo 86 Corporation, a British Columbia Crown Corporation created for the purposes of organizing, constructing and operating the 1986 World Exposition to be held in the City of Vancouver, leased a portion of the B.C. Place lands for its purposes in the amount of $1 and other considerations. The term of the lease covers four years and three months from March 31, 1983 up to and including June 30, 1987. The indenture of lease, signed June 3, 1983, sets out the commitments from both parties.

13. Related party transactions - continued

The major contributions from Expo 86 Corporation are as follows:

	Contributions	
	Total Commitment	As at March 31, 1986
	(in thousands of dollars)	
Seawall construction	$ 8,500	$ 8,500
Construction of B.C. Pavilion	22,730	22,730
Construction of Roundhouse	4,861	4,861
	$ 36,091	$ 36,091

Expo 86 Corporation also paid $5,196,000 to cover the cost of additional work it requested during the course of construction.

(b) The Company has incurred and charged B.C. Pavilion Corporation, a wholly-owned subsidiary, total expense of $5,152,147 to March 31, 1986 ($996,769 to March 31, 1985). This includes contributions amounting to $4,610,000 to March 31, 1986 ($720,726 to March 31, 1985) toward the construction of B.C. Pavilion.

(c) In the normal course of its operations, the Company acquired goods and services from the Province of British Columbia and certain Crown Corporations, predominately under prevailing trade terms.

14. Subsequent events

Effective April 1, 1986, the Minister of Lands, Parks & Housing, for the sum of $1, transferred to the Company those certain assets and collateral obligations generally described as:

i) the one issued and outstanding common share of W.L.C. Developments Ltd., together with the assumption of that company's assets and liabilities;

ii) the lands and premises located within the District of Coquitlam known as the Riverview Project lands;

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 1986

14. Subsequent events - continued

iii) the lands and premises located within the District of Coquitlam known as the Westwood Plateau Project lands; and

iv) the lands and premises located within the City of Victoria known as the Songhees Project lands.

Included in the above assets are the Whistler Conference Centre and the Golf Course.

The Company will also assume responsibility for the British Columbia Convention Centre's pre-operating activities, such as organizational and marketing expenses, effective April 1, 1986 and full operations effective July 1, 1987.

The full financial effect of these transactions on the Company's operations cannot as yet be determined but, based on management's initial review, the value of the assets received will exceed the liabilities assumed of $24 million.

15. **Comparative figures**

Certain 1985 amounts have been reclassified, where appropriate, to conform with the presentation adopted in 1986.

BRITISH COLUMBIA RAILWAY COMPANY

PEAT MARWICK

Peat, Marwick, Mitchell & Co.
Chartered Accountants
2400 - 1055 West Georgia Street
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Vancouver, B.C. V6E 3P3
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AUDITORS' REPORT

To the Lieutenant Governor in Council
Province of British Columbia

We have examined the consolidated balance sheet of British Columbia Railway Company as at December 31, 1985 and the consolidated statements of income and retained earnings, contributed surplus and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1985 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Peat, Marwick, Mitchell & Co.

Vancouver, British Columbia
Canada
March 4, 1986

Peat, Marwick, Mitchell & Co.
Chartered Accountants

BRITISH COLUMBIA RAILWAY COMPANY
CONSOLIDATED BALANCE SHEET
DECEMBER 31
(Dollars in Thousands)

	1985	1984
ASSETS		
Current assets		
Cash	$ 10,454	9,649
Accounts receivable	53,539	39,604
Materials and other items	35,181	31,802
	99,174	81,055
Deferred income taxes	1,621	1,954
Property and equipment		
Road and buildings	1,043,446	1,036,583
Equipment	248,858	229,476
	1,292,304	1,266,059
Accumulated depreciation	219,996	195,668
	1,072,308	1,070,391
Dease Lake extension - Note 2	98,020	98,020
	1,271,123	1,251,420
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current liabilities		
Accounts payable	109,585	85,741
Current obligations on long-term debt	1,329	993
	110,914	86,734
Long-term debt - Note 3	148,875	196,282
Minority interest - Note 4	200,000	200,000
Shareholder's equity		
Share capital - Note 5	257,688	257,688
Contributed surplus	510,716	510,716
Retained earnings	42,930	-
	811,334	768,404
Commitments - Note 6		
Contingent liabilities - Note 7		
	$ 1,271,123	1,251,420

On behalf of the Board

A. M. Horner Director M. C. Morris Director

BRITISH COLUMBIA RAILWAY COMPANY
CONSOLIDATED INCOME AND RETAINED EARNINGS
FOR THE YEAR ENDED DECEMBER 31
(Dollars in Thousands)

	1985	1984
Revenues	$ 294,600	256,108
Expenses		
Operations	67,424	57,028
Equipment	63,102	58,099
Road	38,468	33,693
Depreciation	30,425	26,520
Other	23,438	19,076
Government assistance - Note 8	(6,618)	(5,217)
	216,239	189,199
Railway operating income	78,361	66,909
Non-operating income (expense)		
Interest - Note 9	(18,442)	(46,990)
Debt servicing assistance	-	22,475
	(18,442)	(24,515)
Other income	1,844	1,636
	(16,598)	(22,879)
Net income before deferred income taxes	61,763	44,030
Provision for deferred income taxes - Note 10	333	1,343
Net income before minority interest	61,430	42,687
Minority interest	18,500	8,345
Net income	42,930	34,342
Deficit, beginning of year	-	274,139
Share issue costs less deferred income taxes of $3,297	-	3,044
	42,930	242,841
Transfer to contributed surplus	-	242,841
Retained earnings, end of year	$ 42,930	-

BRITISH COLUMBIA RAILWAY COMPANY
CONSOLIDATED CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31
(Dollars in Thousands)

	1985	1984
Operating activities		
Net income	$ 42,930	34,342
Add (deduct)		
Items not affecting working capital		
Depreciation and amortization	30,425	26,520
Deferred income taxes	333	1,343
Net changes in non-cash working capital		
Accounts receivable	(13,935)	(8,871)
Materials and other items	(3,378)	(1,202)
Accounts payable	26,307	(21,876)
Interest	18,442	24,515
Cash provided by operations	101,124	54,771
Investing activities		
Additions to property and equipment	(33,091)	(66,234)
Change in payables for equipment purchases	(2,464)	(258)
Government assistance for capital items	749	1,675
	(34,806)	(64,817)
Financing activities		
Issue of long-term debt	192,123	8,013
Repayment of long-term debt	(239,194)	(796,117)
Interest	(18,442)	(24,515)
Government contributions to surplus		
Purchase of sinking funds	-	429,989
Debt servicing	-	6,883
Share issue	-	200,000
Gain on defeasance of debt	-	179,200
Share issue costs	-	(6,341)
	(65,513)	(2,888)
Increase (decrease) in cash	805	(12,934)
Cash, beginning of year	9,649	22,583
Cash, end of year	$ 10,454	9,649

BRITISH COLUMBIA RAILWAY COMPANY
CONSOLIDATED CONTRIBUTED SURPLUS
FOR THE YEAR ENDED DECEMBER 31
(Dollars in Thousands)

	1985	1984
Balance, beginning of year	$ 510,716	137,485
Debt servicing assistance	-	6,883
Refinancing grant	-	429,989
Gain on defeasance of debt	-	179,200
Transferred from deficit	-	(242,841)
Balance, end of year	$ 510,716	510,716

BRITISH COLUMBIA RAILWAY COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1985

1. SIGNIFICANT ACCOUNTING POLICIES

The accounting regulations prescribed by the Canadian Transport Commission for Canadian railways have been adopted to the extent that this is possible without submitting specific accounting policies and depreciation rates to the Commission for approval.

Basis of consolidation

The consolidated financial statements include the accounts of British Columbia Railway Company and its subsidiaries BC Rail Ltd. and BCR Properties Ltd. In these notes "company" refers to British Columbia Railway Company and its subsidiaries. All significant inter-company transactions are eliminated.

Class of business

The company provides a fully integrated rail freight service within British Columbia. Services other than hauling freight are not of sufficient size to warrant separate reporting.

Road property

New construction is recorded at cost net of Government grants received. Abandoned or relocated sections are removed at average unit costs. Elements of track structure installed during planned programs are recorded at cost and the material replaced is removed at amounts which approximate average unit costs. Labour costs for programmed replacements are expensed as incurred.

All costs of constructing rail lines are capitalized to the date the line is certified operational by the British Columbia Ministry of Transportation and Highways. Capitalization of interest ceases and provision of depreciation commences on the date of certification.

Depreciation

Depreciation is provided for major categories of property and equipment on the straight-line basis at composite rates estimated to reduce the original cost to estimated salvage value over the average service lives of the classes. The group method is used for recording depreciation under which, on disposal, the original cost of assets retired less salvage value is charged against accumulated depreciation. No gain or loss on retirements, other than on accidental destruction of rolling stock and on disposal of land, is included in income. The original cost of assets less estimated salvage value is depreciated over the following number of years

	Number of years
Grades, surfacing and tunnels	100
Rails	35
Ties	15
Ballast	25
Bridges	30 - 80
Locomotives and power units	25
Freight cars	33

Based on recent engineering studies, the service life of rail was reduced from 50 to 35 years and ties from 20 to 15 years effective January 1, 1985. This change resulted in an increase in the 1985 depreciation expense of $1,561,000.

Repairs

Repairs and non-programmed replacements of track structure are charged against current operations. Betterments and major track relocations are capitalized.

Materials and supplies

Inventories of materials and supplies are valued at the lower of average cost and net realizable value.

Government assistance

Grants directly related to the construction or rehabilitation of road property have offset related road property capital expenditures. Operating assistance has been deducted from the related expense accounts or included in revenue. Assistance provided by the Province of British Columbia ("Province") during 1984 in its capacity as shareholder has been credited to contributed surplus.

Income taxes

Income tax expense is computed on the basis of accounting income recorded by BC Rail Ltd. No taxes are currently payable as BC Rail Ltd. intends to claim certain amounts for income tax purposes in excess of those recorded in the accounts. British Columbia Railway Company and BCR Properties Ltd. are exempt from Canadian federal and provincial income taxes.

Transactions in foreign currency

Transactions originating in United States currency are translated at the approximate exchange rates prevailing at the dates of the transactions. Assets and liabilities denominated in foreign currency at the balance sheet date are translated to equivalent Canadian amounts at the current rate of exchange.

Leases

Certain long-term lease transactions relating to the financing of equipment are accounted for as purchases. The capital lease obligations reflect the present value of future minimum rental payments discounted at the interest rate implicit in the leases. The capitalized values of depreciable assets are generally depreciated over the related lease terms in equal annual amounts. Costs of all other leases are charged against operations as incurred.

2. DEASE LAKE EXTENSION

These costs consist of charges relating to the uncompleted Dease Lake extension. Construction was suspended in 1977 and there are no commitments to continue. In the event any portion of this extension is abandoned, the cost less any value recovered will be written off at that time.

3. LONG-TERM DEBT

Long-term debt outstanding, less current maturities, consists of the following

	1985	1984
Sinking fund bonds and debentures payable to the Province		
11% due June 1995	$25,000,000	-
10.99% due August 2005	24,490,000	-
Bond payable to the Province		
10.75% due February 1990	25,000,000	-
Capital lease obligations - Notes 6 and 12	43,327,000	44,320,000
	117,817,000	44,320,000
Deduct current portion	1,329,000	993,000
	116,488,000	43,327,000
Notes payable to the Province	32,387,000	152,955,000
	$148,875,000	196,282,000

The notes payable to the Province are arranged under a borrowing agreement between British Columbia Railway Company and the Province. The present notes outstanding bear interest at rates between 8.62% and 11.73%.

4. MINORITY INTEREST

The minority interest consists of 8,000,000 series 1-A first preferred shares with a par value of $25 each issued by BC Rail Ltd. These shares are designated as $2.3125 cumulative, redeemable and retractable.

BC Rail Ltd. must make all reasonable efforts in each quarter beginning January 1, 1986 to purchase for cancellation in the open market three-quarters of 1% of the series A preferred shares outstanding at the beginning of the quarter at a price not to exceed $25 per share and all transaction costs. If it is unable to fulfill its obligation in any calendar quarter the obligation will carry over only to the successive calendar quarters of the same calendar year and will thereafter be extinguished.

5. SHARE CAPITAL

Authorized

10,000,000 shares with a par value of $100 each.

Issued

2,576,885 shares are outstanding and held by the Province.

As all of the shares are held by the Province earnings per share has not been provided.

6. COMMITMENTS

The company has significant lease commitments for rolling stock and additional minor lease commitments for equipment and real estate which expire at various dates prior to the year 2000. Certain of these leases transfer substantially all of the benefits and risks of ownership to the company and are accounted for as capital assets.

The following is a schedule of future minimum rental payments at December 31, 1985 required under non-cancellable leases that have terms in excess of one year

	Capital leases	Operating leases
1986	$ 6,569,000	15,499,000
1987	6,569,000	14,945,000
1988	6,569,000	14,617,000
1989	6,569,000	13,577,000
1990	6,569,000	12,219,000
Later years	61,816,000	41,553,000
Total minimum lease payments	94,661,000	112,410,000
Less		
Executory costs	(3,629,000)	
Imputed interest	(47,705,000)	
Present value	$43,327,000	

Assets under capital leases recorded in the property and equipment accounts as at December 31, 1985 are as follows

Equipment	$46,514,000
Accumulated depreciation	8,773,000
	$37,741,000

As at December 31, 1985 the company had outstanding purchase commitments for the acquisition of property and equipment amounting to $21,000,000.

7. CONTINGENT LIABILITIES

The company is contingently liable with respect to pending litigation and claims which arose in connection with construction of the Tumbler Ridge rail line and in the normal course of business. In the opinion of management any liability that may arise will be capitalized or would not have a material adverse effect on future income.

8. GOVERNMENT ASSISTANCE

Government assistance was as follows

	1985	1984
Carried forward from previous year	$ 1,031,000	-
Received during the year		
From the Province		
Debt related		
Defeasance	-	429,989,000
Servicing	-	29,358,000
Fort Nelson extension		
Operating	3,456,000	3,648,000
Rehabilitation	49,000	145,000
Passenger operation	2,100,000	2,100,000
Passenger car modernization	170,000	500,000
Other	800,000	-
	6,575,000	465,740,000
From the Government of Canada		
Western Grain Transportation Act	879,000	-
Rail line electrification	-	1,675,000
	7,454,000	467,415,000
	8,485,000	467,415,000
Applied as follows		
Operating expenses		
Fort Nelson extension	4,098,000	2,867,000
Passenger operation	2,100,000	2,100,000
Passenger car modernization	420,000	250,000
	6,618,000	5,217,000
Interest expense	-	22,475,000
Revenue	879,000	-
Property and equipment	749,000	1,820,000
Contributed surplus	-	436,872,000
	8,246,000	466,384,000
Carried forward to following year	$ 239,000	1,031,000

9. INTEREST EXPENSE

Interest expense was as follows

	1985	1984
Interest on long-term debt and notes		
Province	$14,323,000	3,663,000
Other	-	53,848,000
	14,323,000	57,511,000
Less		
Sinking fund earnings	-	5,965,000
Interest capitalized	-	6,859,000
Interest earned on temporary investments	1,150,000	2,680,000
	1,150,000	15,504,000
	13,173,000	42,007,000
Interest on capital lease obligations	5,269,000	4,983,000
	18,442,000	46,990,000
Less		
Application of debt servicing assistance	-	22,475,000
Net interest	$18,442,000	24,515,000

10. INCOME TAXES

The effective tax rate differs from the rate of 52.9% applicable to British Columbia companies because the net income of British Columbia Railway Company and BCR Properties Ltd. is exempt from federal and provincial income taxes. The net income before taxes of BC Rail Ltd., which was $629,000 (1984 - $2,585,000), is subject to federal and provincial income taxes.

11. PENSION PLAN

The majority of the company's employees participate in a contributory pension plan and are entitled to limited vested rights prior to retirement. An actuarial valuation as at May 31, 1984 disclosed that the plan was fully funded.

12. RELATED PARTY TRANSACTIONS

Related party information not included elsewhere in the notes to financial statements is presented below.

First preferred shares of BC Rail Ltd. and certain capital lease obligations are guaranteed by the Province. The Ministry of Finance of the Province acts as fiscal agent in the administration of the debt and the Superannuation Commission of the Province administers the company pension plan. Fees are charged for both of these services.

Except as described in Note 10, effective April 1, 1985 the company became subject to all taxes levied by the Province other than property taxes. All other transactions between the company and the Province are at terms no more or less favourable than those with unrelated parties.

13. RECLASSIFICATION

The 1984 information in the statement of Changes in Financial Position has been reclassified to conform with the revised statement format used in 1985.

BRITISH COLUMBIA REGIONAL HOSPITAL DISTRICTS FINANCING AUTHORITY

Province of British Columbia

Office of the
Auditor General
Province of British Columbia

8 Bastion Square
Victoria
British Columbia
V8V 1X4

AUDITOR'S REPORT

To the Chairman and Members of the
British Columbia Regional Hospital Districts Financing Authority, and

To the Minister of Finance
Province of British Columbia:

I have examined the statement of assets and liabilities of the British Columbia Regional Hospital Districts Financing Authority as at 31 March 1986 and the statement of sources and uses of funds for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Authority as at 31 March 1986 and the results of its operations for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Erma Morrison, F.C.A.
Auditor General

Victoria, British Columbia
26 June 1986

EXHIBIT A

BRITISH COLUMBIA REGIONAL HOSPITAL DISTRICTS FINANCING AUTHORITY

STATEMENT OF ASSETS AND LIABILITIES

AS AT 31 MARCH 1986

ASSETS

	1986	1985
Current		
Accrued interest receivable	$ 32,293,464	$ 31,655,125
Current portion of long-term loans receivable	1,202,728	1,039,073
Instalments to sinking funds receivable within one year	25,744,857	25,828,046
	59,241,049	58,522,244
Long-term loans receivable (note 3 and schedule 1)	917,320,300	917,285,839
Less accumulated sinking fund instalments and investment income	263,692,112	226,801,160
	653,628,188	690,484,679
	$712,869,237	$749,006,923

LIABILITIES

Current		
Accrued interest payable	$ 32,293,464	$ 31,655,125
Current portion of long-term debt	1,202,728	1,039,073
Instalments to sinking funds payable within one year	25,744,857	25,828,046
	59,241,049	58,522,244
Long-term debt (note 4)	947,176,300	934,221,839
Less: Sinking funds on deposit with the Minister of Finance of the Province of British Columbia (note 5)	263,692,112	226,801,160
Investments (note 6)	29,856,000	16,936,000
	653,628,188	690,484,679
	$712,869,237	$749,006,923

The six accompanying notes and Schedule 1 are an integral part of these financial statements.

Approved by the Authority:

Hugh A. Curtis, Chairman

David L. Emerson, Secretary

EXHIBIT B

BRITISH COLUMBIA REGIONAL HOSPITAL DISTRICTS FINANCING AUTHORITY

STATEMENT OF SOURCES AND USES OF FUNDS

FOR THE YEAR ENDED 31 MARCH 1986

	1986	1985
Sources of Funds		
Long-term debentures issued	$ 14,074,000	$ 52,431,000
Repayment of long-term loans receivable	1,039,073	897,687
Investments at par transferred from sinking funds (note 6)	12,920,000	16,936,000
Interest on investments	2,024,793	660,883
Interest on long-term loans receivable	107,862,775	105,679,587
	137,920,641	176,605,157
Sinking funds		
Instalments received	25,437,306	24,833,530
Income on investments	25,585,115	23,865,846
	51,022,421	48,699,376
Less: Funds management fees (note 5)	172,869	149,489
Transfer of excess assets of certified sinking funds to the Hospital Districts	2,663,679	5,208,852
Investments transferred to the Authority (note 6)	11,051,809	13,727,439
Accrued interest on investments transferred to the Authority	243,112	283,013
	36,890,952	29,330,583
	$174,811,593	$205,935,740
Uses of Funds		
Long-term loans issued	$ 14,074,000	$ 52,431,000
Repayment of long-term debt	1,039,073	897,687
Long-term loans receivable discharged	12,920,000	16,936,000
Interest on long-term debt	109,887,568	106,340,470
	137,920,641	176,605,157
Net increase in sinking funds	36,890,952	29,330,583
	$174,811,593	$205,935,740

BRITISH COLUMBIA REGIONAL HOSPITAL DISTRICTS FINANCING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 1986

1. The Authority

The Authority was established by the Hospital District Finance Act, R.S.B.C. 1979, Chapter 179, as amended. Section 2 of the Act states that the purpose of the Authority is: "to assist in the financing of hospital projects, medical and health facilities, community human resources and health centres, and any other community, regional or Provincial facilities for the social improvement, welfare and benefit of the community or the general public good, approved by the Minister of Health".

The Authority provides assistance by making loans to the Regional Hospital Districts and the Health Facilities Association. These loans are financed by, and have interest rates and maturity dates identical to, the borrowing of the Authority itself.

2. Significant accounting policies

a) Sinking fund instalments received from the Hospital Districts and the Health Facilities Association in respect of their debt to the Authority, together with the investment income earned thereon, are set aside in sinking funds maintained by the Trustee, the Minister of Finance. These funds provide for retirement of the debt of the Authority at maturity.

b) Sinking fund investments

i) Long-term investments are valued at cost of acquisition adjusted by amortization of discounts and premiums on a straight-line basis over the remaining terms of the investments.

ii) Temporary investments are valued at the lower of the cost of acquisition and market value.

c) Certification of sinking funds and loans discharged

Investments transferred to the Authority from the certified sinking funds (see Note 6) are recorded at par value. They are shown as a reduction of long-term debt, as the specific purpose of these investments is essentially the same as that of a sinking fund.

BRITISH COLUMBIA REGIONAL HOSPITAL DISTRICTS FINANCING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 1986

3. Long-term loans receivable

Long-term loans receivable of $892,673,000 (1985: $891,519,000) including all loans which were financed by borrowing from the Canada Pension Plan (see Note 4), are redeemable on five months' notice in whole or in part before maturity at the option of the Chairman of the Authority. Further long-term loans receivable of $2,000,000 (1985: $2,000,000) are redeemable after 1994 in whole or in part before maturity at the option of the Chairman of the Authority. The remaining long-term loans receivable of $49,594,885 (1985: $50,633,958) are not redeemable before maturity.

Details of long-term loans receivable are set out in Schedule 1.

4. Long-term debt

Held by:	1986	1985
Canada Pension Plan Investment Fund 6.62% to 17.51% debentures, due 1988 through 2005	$888,029,000	$873,955,000
Province of British Columbia Pension Funds 7.00% to 13.60% debentures, due 1987 through 1993	32,310,000	31,870,000
Province of British Columbia Boards, Agencies and Commissions 7.00% to 15.75% debentures, due 1986 through 2001	29,784,885	30,823,958
Province of British Columbia 6.79% to 7.45% debentures, due 1991 and 1992	12,000,000	12,000,000
General Public 11.375% debenture, due 1988	12,000,000	12,440,000
	974,123,885	961,088,958
Less: Current portion of long-term debt	1,202,728	1,039,073
Instalments to sinking funds payable within one year	25,744,857	25,828,046
	$947,176,300	$934,221,839

BRITISH COLUMBIA REGIONAL HOSPITAL DISTRICTS FINANCING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 1986

4. Long-term debt (continued)

Debentures issued to the Canada Pension Plan Investment Fund are redeemable on six months' notice, in whole or in part before maturity, at the option of the Minister of Finance of Canada, subject to certain restrictions.

Debentures totalling $2,000,000 are redeemable after 1994 in whole or in part prior to maturity at the option of the Authority.

Debentures maturing in the next five fiscal years are as follows:

1987	$ 1,202,728
1988	23,392,157
1989	16,936,000
1990	18,920,000
1991	23,500,000

Repayment of these debentures will be fully funded by sinking fund assets or the investments, with the exception of serial debentures totalling $2,594,885 which will be fully funded by repayment of long-term loans receivable.

Sinking fund instalments due in the next five fiscal years are as follows:

1987	$ 25,744,857
1988	25,744,857
1989	22,141,323
1990	22,141,323
1991	21,969,025

The Province of British Columbia has unconditionally guaranteed the payment of principal and interest on the long-term debt of the Authority.

5. Sinking funds on deposit

	1986	1985
Cash and temporary investments	$127,263,068	$123,109,383
Long-term investments (Market value $136,447,331 1985: $94,534,003)	131,463,598	98,730,253
Accrued interest	5,503,019	5,001,111
	264,229,685	226,840,747
Less: Accounts payable	537,573	39,587
	$263,692,112	$226,801,160

BRITISH COLUMBIA REGIONAL HOSPITAL DISTRICTS FINANCING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 1986

5. Sinking funds on deposit (continued):

Sinking fund investments include $10,000,000 (1985: $10,000,000) par value of debentures issued by the Authority.

The cost of temporary investments approximates market value.

Funds management fees have been charged to the sinking funds of the Authority by the Ministry of Finance in accordance with Section 39(4) of the Financial Administration Act. These fees are based on the market value of sinking fund assets and are charged on a quarterly basis during the year.

6. Investments

	1986		
	Book Value	Unamortized Discount	Par Value
British Columbia Hydro and Power Authority Notes			
6.66% due 5 August 1988	$ 4,454,408	$ 545,592	$ 5,000,000
6.62% due 4 November 1988	6,984,474	951,526	7,936,000
6.92% due 2 January 1989	3,512,853	487,147	4,000,000
Province of British Columbia Notes			
7.26% due 2 June 1989	4,424,297	575,703	5,000,000
7.60% due 1 October 1989	4,350,272	569,728	4,920,000
7.94% due 3 November 1989	2,672,688	327,312	3,000,000
	$26,398,992	$3,457,008	$29,856,000

Total 1986 amortization of discount on the above investments was $1,169,916 (1985: $449,828).

Under Section 8.1 of the Hospital District Finance Act, where a security is held by the Authority, and the Minister of Finance certifies that the assets of the related sinking fund are sufficient to meet all obligations respecting the payment of principal and interest under the security, the body who issued the security shall transfer the assets in the sinking fund to the Authority.

Upon transfer of the assets, the debt of the body is discharged, subject to conditions contained in the Minister's certificate. Where the Minister certifies that the assets of the sinking fund exceed what is required to meet the obligations of the security, the Authority shall pay the excess to the body who issued the security.

BRITISH COLUMBIA REGIONAL HOSPITAL DISTRICTS FINANCING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 1986

6. Investments (continued)

During the year ended 31 March 1986, loans receivable totalling $12,920,000 were discharged. Investments with a cost of $11,051,809 and a par value of $12,920,000 were transferred from the sinking funds to the Authority. These investments have identical interest rates and maturity dates to the loans receivable they are replacing. They will be held until maturity and will be used to finance interest payments and capital repayment of the Authority's corresponding debt.

The Province of British Columbia has unconditionally guaranteed payment of principal and interest on $16,936,000 of the notes held by the Authority.

SCHEDULE 1

BRITISH COLUMBIA REGIONAL HOSPITAL DISTRICTS FINANCING AUTHORITY

SCHEDULE OF LONG-TERM LOANS RECEIVABLE

AS AT 31 MARCH 1986

Regional Hospital District	Interest Rates %	Dates of Maturity	1986	1985
Alberni-Clayoquot	6.75-11.59	1990-2003	$ 2,690,500	$ 4,270,500
Bulkley-Nechako	6.75-13.30	1990-2004	8,357,000	8,357,000
Capital	6.75-17.51	1990-2005	109,867,000	109,067,000
Cariboo	7.47-12.57	1993-2005	3,025,000	2,525,000
Central Coast	8.01-14.16	1994-2002	2,153,500	2,153,500
Central Fraser Valley	7.00-17.51	1990-2004	20,486,000	20,981,000
Central Kootenay	7.00-15.12	1990-2004	9,796,000	10,446,000
Central Okanagan	6.75-15.12	1990-2005	21,015,400	18,040,400
Columbia-Shuswap	6.75-17.01	1990-2001	5,948,000	7,308,000
Comox-Strathcona	7.00-17.51	1992-2004	16,301,300	16,301,300
Cowichan Valley	7.23-13.05	1992-2004	2,745,000	2,745,000
Dewdney-Alouette	7.23-15.69	1993-2004	18,297,000	18,297,000
East Kootenay	6.75-16.10	1990-2005	13,594,000	13,354,000
Fraser-Cheam	6.75-15.38	1990-2004	8,640,600	8,771,600
Fraser-Fort George	6.75-17.01	1991-2003	29,359,200	29,359,200
Greater Vancouver	6.75-17.51	1990-2005	426,800,000	424,789,000
Kitimat-Stikine	7.00-10.40	1991-2001	10,159,000	10,254,000
Kootenay Boundary	6.90-15.69	1990-2005	7,308,000	8,212,000
Mount Waddington	7.14-17.00	1991-2003	6,085,000	6,085,000
Nanaimo	6.79-17.00	1990-2005	9,835,000	9,885,000
North Okanagan	7.00-17.01	1993-2004	39,496,000	39,496,000
Okanagan-Similkameen	6.75-15.12	1990-2004	16,271,000	16,966,000
Peace River-Liard	6.79-12.57	1990-2005	14,124,000	14,191,000
Powell River	7.00-13.70	1993-2005	3,160,000	3,185,000
Skeena-Qu.Charlotte	6.90-10.26	1990-1999	3,825,000	4,460,000
Squamish-Lillooet	7.47-14.16	1993-2005	2,835,000	1,845,000
Sunshine Coast	7.01-13.66	1991-2004	3,895,000	3,895,000
Thompson-Nicola	6.75-17.01	1990-2005	31,104,500	30,779,500
			847,173,000	846,019,000
Health Facilities Association	8.95-16.10	1986-2004	97,094,885	98,133,958
			944,267,885	944,152,958
Less: Current portion of long-term loans receivable			1,202,728	1,039,073
Instalments to sinking funds receivable within one year			25,744,857	25,828,046
			$917,320,300	$917,285,839

BRITISH COLUMBIA SCHOOL DISTRICTS CAPITAL FINANCING AUTHORITY

Province of British Columbia

Office of the
Auditor General
Province of British Columbia

8 Bastion Square
Victoria
British Columbia
V8V 1X4

AUDITOR'S REPORT

To the Chairman and Members of the
British Columbia School Districts Capital Financing Authority, and

To the Minister of Finance
Province of British Columbia:

I have examined the statement of assets and liabilities of the British Columbia School Districts Capital Financing Authority as at 31 March 1986 and the statement of sources and uses of funds for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Authority as at 31 March 1986 and the results of its operations for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Erma Morrison

Erma Morrison, F.C.A.
Auditor General

Victoria, British Columbia
13 June 1986

EXHIBIT A

BRITISH COLUMBIA SCHOOL DISTRICTS CAPITAL FINANCING AUTHORITY

STATEMENT OF ASSETS AND LIABILITIES

AS AT 31 MARCH 1986

	1986	1985
ASSETS		
Current		
Accrued interest receivable	$ 47,855,202	$ 47,348,415
Current portion of long-term loans receivable	-	1,183,500
Instalments to sinking funds receivable within one year	34,910,753	36,536,303
	82,765,955	85,068,218
Long-term loans receivable (note 3 and schedule 1)	1,262,223,597	1,311,805,197
Less accumulated sinking fund instalments and investment income	427,870,698	416,228,212
	834,352,899	895,576,985
	$ 917,118,854	$ 980,645,203
LIABILITIES		
Current		
Accrued interest payable	$ 47,855,202	$ 47,348,415
Current portion of long-term debt	72,946,000	17,587,500
Instalments to sinking funds payable within one year	34,910,753	36,536,303
	155,711,955	101,472,218
Long-term debt (note 4)	1,443,715,497	1,496,762,092
Less: Sinking funds on deposit with the Minister of Finance of the Province of British Columbia (note 5)	427,870,698	416,228,212
Investments (note 6)	254,437,900	201,360,895
	761,406,899	879,172,985
	$ 917,118,854	$ 980,645,203

The eight accompanying notes and Schedule 1 are an integral part of these financial statements.

Approved by the Authority:

Hugh A. Curtis, Chairman

Doug M. Hyndman, Acting Secretary

EXHIBIT B

BRITISH COLUMBIA SCHOOL DISTRICTS CAPITAL FINANCING AUTHORITY

STATEMENT OF SOURCES AND USES OF FUNDS

FOR THE YEAR ENDED 31 MARCH 1986

	1986	1985
Sources of Funds		
Long-term debentures issued	$ 16,223,000	$ 54,000,000
Repayment of long-term loans receivable	1,181,100	3,091,900
Matured investments	16,743,600	-
Foreign exchange gain on long-term loans receivable	285,450	1,703,067
Foreign exchange gain on investments	2,102,605	5,553,676
Investments at par transferred from sinking funds (note 6)	67,718,000	118,959,219
Interest on investments	16,951,878	9,020,489
Interest on long-term loans receivable	139,102,923	143,969,141
	260,308,556	336,297,492
Sinking funds		
Instalments received	34,491,463	37,032,435
Income on investments	42,886,537	50,966,657
	77,378,000	87,999,092
Less: Funds management fees (note 5)	244,782	237,633
Transfer of excess assets of certified sinking funds to the School Districts	7,296,596	34,454,589
Investments transferred to the Authority (note 6)	56,937,958	99,432,637
Accrued interest on investments transferred to the Authority	1,256,178	1,705,915
	11,642,486	(47,831,682)
	$ 271,951,042	$ 288,465,810
Uses of Funds		
Long-term loans issued	$ 16,223,000	$ 54,000,000
Repayment of long-term debt	17,924,700	3,091,900
Foreign exchange loss on long-term debt	2,388,055	7,256,743
Long-term loans receivable discharged	67,718,000	118,959,219
Interest on long-term debt	156,054,801	152,989,630
	260,308,556	336,297,492
Net increase (decrease) in sinking funds	11,642,486	(47,831,682)
	$ 271,951,042	$ 288,465,810

BRITISH COLUMBIA SCHOOL DISTRICTS CAPITAL FINANCING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 1986

1. The Authority

The Authority was established by the School District Capital Finance Act, R.S.B.C. 1979, Chapter 376, as amended. Section 2 of the Act states that "the purpose of the Authority is to lend money to boards of school trustees of the school districts created under the School Act to finance their capital expenditures".

The loans made by the Authority to the School Districts are financed by, and have interest rates and maturity dates identical to, the borrowing of the Authority itself, except as described in Note 7.

2. Significant accounting policies

a) Sinking fund instalments received from the School Districts, in respect of their debt to the Authority, together with the investment income earned thereon, are set aside in sinking funds maintained by the Trustee, the Minister of Finance. These funds provide for retirement of the debt of the Authority at maturity.

b) Sinking fund investments

i) Long-term investments are valued at cost of acquisition adjusted by amortization of discounts and premiums on a straight-line basis over the remaining terms of the investments.

ii) Temporary investments are valued at the lower of the cost of acquisition and market value.

c) Foreign currency translation

Assets and liabilities denominated in foreign currency have been translated to Canadian dollars at the rate prevailing at the balance sheet date.

Gains and losses arising on foreign currency translation are not deferred and amortized as they are fully offsetting and have no effect on the net financial position of the Authority.

BRITISH COLUMBIA SCHOOL DISTRICTS CAPITAL FINANCING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 1986

2. Significant accounting policies (continued)

d) Certification of sinking funds and loans discharged

Investments transferred to the Authority from the certified sinking funds (see Note 6) are recorded at par value. They are shown as a reduction of long-term debt, as the specific purpose of these investments is essentially the same as that of a sinking fund.

3. Long-term loans receivable

Details of long-term loans receivable totalling $1,262,223,597 are set out in Schedule 1.

Long-term loans receivable of $1,179,660,000 (1985: $1,204,256,000) are redeemable on five months' notice, in whole or in part before maturity, at the option of the Chairman of the Authority. The remaining long-term loans receivable of $117,474,350 (1985: $145,269,000) are not redeemable before maturity.

BRITISH COLUMBIA SCHOOL DISTRICTS CAPITAL FINANCING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 1986

4. Long-term debt

Held by:	1986	1985
Canada Pension Plan Investment Fund 6.40% to 17.51% debentures, due 1988 through 2005	$1,244,897,000	$1,228,674,000
Province of British Columbia 6.79% to 7.45% debentures, due 1988 through 1992	44,092,000	44,092,000
Province of British Columbia Pension Funds 5.50% to 12.75% debentures, due 1986 through 1993	70,891,390	96,158,835
Province of British Columbia Boards, Agencies and Commissions 5.50% to 11.00% debentures, due 1986 through 1996	37,903,086	36,522,660
General Public 5.50% to 16.875% debentures, due 1986 through 1996	153,788,774	145,438,400
	1,551,572,250	1,550,885,895
Less: Current portion of long-term debt	72,946,000	17,587,500
Instalments to sinking funds payable within one year	34,910,753	36,536,303
	$1,443,715,497	$1,496,762,092

Long-term debt includes U.S. $67,685,000 (1985: U.S. $80,185,000).

Debentures issued to the Canada Pension Plan Investment Fund are redeemable on six months' notice, in whole or in part before maturity, at the option of the Minister of Finance of Canada, subject to certain restrictions.

BRITISH COLUMBIA SCHOOL DISTRICTS CAPITAL FINANCING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 1986

4. Long-term debt (continued)

Debentures maturing in the next five fiscal years are as follows:

1987	$72,946,000
1988	79,355,900
1989	24,418,000
1990	50,819,000
1991	60,855,000

Repayment of these debentures will be fully funded by sinking fund assets or the investments.

Sinking fund instalments of $34,910,753 are due in each of the fiscal years 1987-1991 inclusive.

The Province of British Columbia has unconditionally guaranteed the payment of principal and interest on the long-term debt of the Authority.

5. Sinking funds on deposit

	1986	1985
Cash and temporary investments	$197,079,592	$146,620,681
Accounts receivable	-	934,817
Long-term investments (Market value - $230,553,708 1985: $248,239,534)	222,134,352	259,525,538
Accrued interest	8,718,647	9,208,084
	427,932,591	416,289,120
Less: Funds management fees payable	61,893	60,908
	$427,870,698	$416,228,212

Sinking fund investments include $23,280,200 (1985: $23,184,200) par value of debt issued by the Authority.

The cost of temporary investments approximates market value.

Funds management fees have been charged to the sinking funds of the Authority by the Ministry of Finance in accordance with Section 39(4) of the Financial Administration Act. These fees are based on the market value of sinking fund assets and are charged on a quarterly basis during the year.

BRITISH COLUMBIA SCHOOL DISTRICTS CAPITAL FINANCING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 1986

6. Investments

	1986		
	Book Value	Unamortized Discount	Par Value
British Columbia Buildings Corporation Notes 5.50% to 6.875%, due 1986 and 1987	$ 61,600,876	$ 2,345,124	$ 63,946,000
B.C. Hydro and Power Authority Notes 4.50% to 7.45%, due 1987 to 1989, inclusive	112,856,380	9,917,520	122,773,900
Province of British Columbia Notes 6.79% to 8.33%, due 1989 to 1991, inclusive	58,840,961	8,877,039	67,718,000
	$233,298,217	$21,139,683	$254,437,900

Total 1986 amortization of discount on the above investments was $12,092,139 (1985: $8,436,148).

Investments' book value includes U.S. $55,294,944 (1985: $63,193,923).

Investments' par value includes U.S. $58,185,000 (1985: $70,185,000).

Under Section 8.1 of the School District Capital Finance Act, where a security of a School Board is held by the Authority, and the Minister of Finance certifies that the assets of the related sinking fund are sufficient to meet all obligations respecting the payment of principal and interest under the security, the Board who issued the security shall transfer the assets in the sinking fund to the Authority.

BRITISH COLUMBIA SCHOOL DISTRICTS CAPITAL FINANCING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 1986

6. Investments (continued)

Upon transfer of the assets, the debt of the Board is discharged, subject to conditions contained in the Minister's certificate. Where the Minister certifies that the assets of the sinking fund exceed what is required to meet the obligations of the security, the Authority shall pay the excess to the School Board.

During the year ended 31 March 1986, loans receivable totalling $67,718,000 were discharged. Investments with a cost of $56,937,958 and a par value of $67,718,000 were transferred from the sinking funds to the Authority. These investments have identical interest rates and maturity dates to the loans receivable they are replacing. They will be held until maturity and will be used to finance interest payments and capital repayment of the Authority's corresponding debt.

The Province of British Columbia has unconditionally guaranteed payment of principal and interest on the notes issued by British Columbia Buildings Corporation and B.C. Hydro and Power Authority.

7. Provision for recovery of exchange loss

In the fiscal year ended 31 March 1982, the Authority issued $9,500,000 in debentures denominated in United States dollars, and lent the proceeds to School Districts in Canadian dollars.

As at 31 March 1986 the debt payable expressed in Canadian dollars exceeds the corresponding loan receivable by $2,171,590 (1985: $1,883,740). Under the terms of the School District Capital Finance Act Section 3(1), all expenses incurred by the Authority are recoverable from the School Districts. Accordingly, provision has been made for the recovery of the exchange loss from the School Districts. This provision is included in long-term loans receivable (see Schedule 1).

8. Comparative figures

Certain 1985 comparative figures have been reclassified to conform to the presentation adopted in 1986.

SCHEDULE 1

BRITISH COLUMBIA SCHOOL DISTRICTS CAPITAL FINANCING AUTHORITY

SCHEDULE OF LONG-TERM LOANS RECEIVABLE

AS AT 31 MARCH 1986

No.	School District	Interest Rates %	Dates of Maturity	1986	1985
1	Fernie	6.90-18.25	1990-2005	$ 26,673,000	$ 26,531,000
2	Cranbrook	7.01-18.25	1990-2004	9,417,000	10,013,936
3	Kimberley	6.90-18.25	1990-2005	4,674,800	4,563,800
4	Windermere	7.14-18.25	1990-2004	5,339,800	5,546,736
7	Nelson	7.14-17.01	1990-2005	11,899,000	11,500,500
9	Castlegar	6.90-17.01	1990-2005	9,696,200	9,638,700
10	Arrow Lakes	9.00-13.80	1990-2005	3,637,000	3,223,000
11	Trail	7.91-18.25	1990-2004	5,688,000	6,706,000
12	Grand Forks	6.93-14.16	1990-2005	4,390,000	4,361,000
13	Kettle Valley	7.00-18.25	1990-2005	2,699,000	3,057,000
14	South Okanagan	7.61-18.25	1990-2005	6,780,760	6,760,531
15	Penticton	7.14-17.51	1990-2004	8,551,000	9,071,404
16	Keremeos	8.65-15.12	1990-2005	1,114,000	634,000
17	Princeton	6.93-18.25	1990-2004	6,532,000	6,632,000
18	Golden	7.51-18.25	1990-2004	2,584,000	3,030,936
19	Revelstoke	7.38-18.25	1990-2005	5,854,000	5,956,904
21	Armstrong-Spallumcheen	6.93-17.51	1990-2005	7,805,000	7,748,000
22	Vernon	6.90-17.51	1990-2004	21,827,000	22,362,000
23	Central Okanagan	6.90-18.25	1990-2004	58,778,000	61,372,175
24	Kamloops	6.90-18.25	1990-2004	45,992,000	47,197,010
26	North Thompson	7.34-13.09	1990-2003	6,394,000	6,394,000
27	Cariboo-Chilcotin	6.90-18.25	1990-2005	29,981,000	30,615,500
28	Quesnel	6.90-18.25	1990-2004	19,688,000	20,598,000
29	Lillooet	7.53-13.69	1990-2005	6,502,000	3,203,000
30	South Cariboo	6.93-13.20	1990-2004	5,951,000	6,251,000
31	Merritt	7.14-18.25	1990-2003	5,210,000	5,315,000
32	Hope	7.38-13.43	1990-2002	2,618,000	2,618,000
33	Chilliwack	6.93-17.01	1990-2005	12,749,000	13,869,202
34	Abbotsford	6.90-18.25	1990-2005	45,123,000	44,729,500
35	Langley	6.90-18.25	1990-2005	52,998,000	54,112,936
36	Surrey	6.90-18.25	1990-2005	70,339,000	73,787,212
37	Delta	6.90-18.25	1990-2004	45,908,000	49,623,000
38	Richmond	6.90-18.25	1990-2004	38,039,000	40,109,400
39	Vancouver	6.90-18.25	1990-2004	54,434,000	60,580,350
40	New Westminster	7.00-16.53	1990-2005	9,085,000	9,025,500
41	Burnaby	6.90-17.51	1990-2004	15,479,500	18,982,372
42	Maple Ridge	6.90-18.25	1990-2005	30,394,500	30,941,372
43	Coquitlam	6.90-18.25	1990-2004	47,382,000	53,284,138
44	North Vancouver	6.90-13.80	1990-2004	35,769,000	37,404,702
45	West Vancouver	6.90-17.51	1990-2004	6,067,000	6,225,372
46	Sunshine Coast	6.90-17.01	1990-2005	12,255,000	12,195,170
47	Powell River	7.34-18.25	1990-2005	5,707,000	5,927,404
48	Howe Sound	7.49-17.00	1990-2005	9,864,000	10,031,936
49	Central Coast	7.00-15.50	1990-2002	2,521,000	2,521,000

SCHEDULE 1
(Continued)

BRITISH COLUMBIA SCHOOL DISTRICTS CAPITAL FINANCING AUTHORITY

SCHEDULE OF LONG-TERM LOANS RECEIVABLE

AS AT 31 MARCH 1986

No.	School District	Interest Rates %	Dates of Maturity	1986	1985
50	Queen Charlotte	8.14-13.30	1990-2003	$ 2,819,000	$ 3,331,000
52	Prince Rupert	7.00-17.01	1990-2005	12,266,000	12,865,138
54	Smithers	6.90-18.25	1990-2004	11,014,000	11,751,000
55	Burns Lake	7.01-18.25	1990-2004	8,107,000	8,107,000
56	Nechako	6.93-18.25	1990-2005	14,143,000	14,564,936
57	Prince George	6.90-17.51	1990-2004	78,585,000	79,985,408
59	Peace River South	6.90-18.25	1990-2005	20,421,000	19,167,670
60	Peace River North	6.90-18.25	1990-2004	17,645,000	18,319,702
61	Greater Victoria	6.90-17.51	1990-2004	37,980,000	41,811,542
62	Sooke	6.90-18.25	1990-2005	16,975,000	17,084,000
63	Saanich	6.90-15.54	1990-2004	14,340,000	16,059,904
64	Gulf Islands	6.90-15.38	1990-2005	7,110,000	6,448,000
65	Cowichan	6.90-18.25	1990-2004	14,218,000	14,476,202
66	Lake Cowichan	6.90-13.30	1990-2005	2,758,000	2,946,000
68	Nanaimo	6.90-15.54	1990-2004	35,416,000	38,274,670
69	Qualicum	8.38-18.25	1990-2005	20,329,000	19,997,670
70	Alberni	6.90-16.10	1990-2005	7,576,000	9,660,505
71	Courtenay	6.90-18.25	1990-2005	14,808,000	15,494,670
72	Campbell River	6.90-16.10	1990-2005	22,509,000	22,787,138
75	Mission	6.90-17.51	1990-2005	14,001,200	14,276,200
76	Agassiz-Harrison	8.83-16.10	1990-2003	1,656,000	1,756,000
77	Summerland	7.49-18.25	1990-2005	3,485,000	3,257,000
80	Kitimat	7.01-18.25	1990-2004	5,683,000	5,983,000
81	Fort Nelson	7.00-17.51	1990-2004	7,493,000	7,863,000
84	Vancouver Island West	6.90-18.25	1990-2004	2,953,000	3,253,000
85	Vancouver Island North	7.00-18.25	1990-2004	16,621,000	17,638,000
86	Creston-Kaslo	7.00-18.25	1990-2004	13,288,000	13,625,936
87	Stikene	7.14-17.00	1990-2005	8,351,000	7,851,000
88	Terrace	6.90-18.25	1990-2004	20,749,000	23,081,702
89	Shuswap	6.90-18.25	1990-2005	20,259,000	20,907,569
92	Nisgha	10.20-13.20	1990-2005	1,015,000	765,000
				1,294,962,760	1,347,641,260
Add:	Provision for recovery of exchange loss (note 7)			2,171,590	1,883,740
				1,297,134,350	1,349,525,000
Less:	Current portion of long-term loans receivable			-	1,183,500
	Instalments to sinking funds receivable within one year			34,910,753	36,536,303
				$1,262,223,597	$1,311,805,197

BRITISH COLUMBIA STEAMSHIP COMPANY (1975) LTD.

THORNE RIDDELL
Chartered Accountants

AUDITORS' REPORT

To the Shareholder of
British Columbia Steamship Company (1975) Ltd.

We have examined the consolidated balance sheet of British Columbia Steamship Company (1975) Ltd. as at December 31, 1985 and the consolidated statements of income, deficit and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1985 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Thorne Riddell

Chartered Accountants

Victoria, Canada
January 22, 1986

BRITISH COLUMBIA STEAMSHIP COMPANY (1975) LTD.
(Incorporated under the laws of Canada)

CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31, 1985

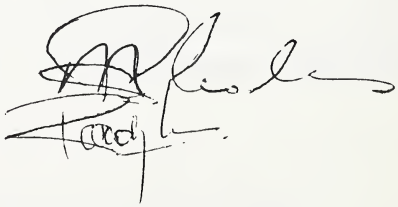
ASSETS	1985	1984
CURRENT ASSETS		
Cash	$ 113,871	$ 14,453
Accounts receivable	72,562	48,895
Inventories	101,652	62,252
Prepaid expenses	57,653	50,366
	345,738	175,966
FIXED ASSETS (note 2)		
Vessel, equipment and leasehold improvements	8,412,390	8,297,347
Less accumulated depreciation	3,967,264	3,459,948
	4,445,126	4,837,399
	$ 4,790,864	$ 5,013,365
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 243,214	$ 218,056
Vessel lease payable (note 3)	1,936,529	1,936,529
Promissory notes and accrued interest payable (note 4)	4,946,253	4,213,840
Total liabilities	7,125,996	6,368,425
CAPITAL STOCK, CONTRIBUTED SURPLUS AND DEFICIT		
CAPITAL STOCK		
5 Common shares (note 5)	5	5
CONTRIBUTED SURPLUS	7,900,330	7,900,330
DEFICIT	(10,235,467)	(9,255,395)
	(2,335,132)	(1,355,060)
	$ 4,790,864	$ 5,013,365

Commitments (note 6)

Approved by the Board

Director

Director



BRITISH COLUMBIA STEAMSHIP COMPANY (1975) LTD.

CONSOLIDATED STATEMENT OF INCOME

YEAR ENDED DECEMBER 31, 1985

	1985	1984
Revenue		
Passengers	$ 4,521,601	$ 4,774,683
On-board services	2,929,565	2,777,617
Vehicles	547,184	518,916
Other	85,635	90,110
	8,083,985	8,161,326
Operating expenses		
On-board services		
Cost of sales	858,904	873,081
Operating expenses	992,567	931,090
	1,851,471	1,804,171
Ship operating expenses		
Deck	466,422	476,225
Engine room	606,696	615,924
Ship general	564,105	599,242
Fuel	1,367,636	1,107,718
Refit	672,947	742,635
Seattle terminal	767,094	783,442
Victoria terminal	346,695	377,181
	6,643,066	6,506,538
Income before non-operating expenses	1,440,919	1,654,788
Administration	648,957	540,503
Selling	654,745	482,089
Commissions	111,985	134,932
	1,415,687	1,157,524
Income before interest and depreciation	25,232	497,264
Interest	496,484	511,754
Depreciation	508,820	490,357
	1,005,304	1,002,111
LOSS FOR THE YEAR	$ 980,072	$ 504,847

BRITISH COLUMBIA STEAMSHIP COMPANY (1975) LTD.

CONSOLIDATED STATEMENT OF DEFICIT

YEAR ENDED DECEMBER 31, 1985

	1985	1984
DEFICIT AT BEGINNING OF YEAR	$ 9,255,395	$ 8,750,548
Loss for the year	980,072	504,847
DEFICIT AT END OF YEAR	$10,235,467	$ 9,255,395

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

YEAR ENDED DECEMBER 31, 1985

	1985	1984
CASH RESOURCES PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Loss for the year	$ (980,072)	$ (504,847)
Items not involving cash		
Depreciation	508,820	490,357
Loss on sale of fixed assets	3,519	
Cash generated from (used for) operating working capital		
Accounts receivable	(23,667)	(5,802)
Inventories	(39,400)	17,745
Prepaid expenses	(7,287)	3,648
Accounts payable and accrued liabilities	25,158	(10,951)
	(512,929)	(9,850)
CASH RESOURCES PROVIDED BY (USED IN) FINANCING ACTIVITIES		
Increase (decrease) in promissory notes and accrued interest payable	732,413	(24,428)
CASH RESOURCES PROVIDED BY (USED IN) INVESTING ACTIVITIES		
Purchase of fixed assets	(122,775)	(69,666)
Proceeds from sale of fixed assets	2,709	
	(120,066)	(69,666)
INCREASE (DECREASE) IN CASH	99,418	(103,944)
CASH AT BEGINNING OF YEAR	14,453	118,397
CASH AT END OF YEAR	$ 113,871	$ 14,453

BRITISH COLUMBIA STEAMSHIP COMPANY (1975) LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 1985

1. ACCOUNTING POLICIES

(a) Principles of consolidation
The consolidated financial statements include the accounts of the company and its wholly-owned subsidiary, British Columbia Steamship Company Inc.

(b) Inventories
Inventories are valued at the lower of cost and net realizable value.

(c) Fixed assets
Fixed assets are stated at cost less accumulated depreciation. The cost of 1981 major refurbishing of the vessel, "Princess Marguerite", was capitalized and is being depreciated on the straight-line basis over fifteen years. The original cost of the vessel had previously been depreciated to its 1979 scrap value. The leasehold improvements are depreciated on the straight-line basis over terms which range from four to ten years. Other fixed assets are depreciated on the diminishing balance method at the annual rates indicated in note 2.

(d) Refit
The company carries out an annual refit of the vessel in the off-season. These annual refit costs are an expense in the year incurred.

(e) Translation of foreign currency
(i) Current assets and current liabilities are translated into Canadian dollars at rates of exchange in effect at the year-end.
(ii) Fixed assets are translated into Canadian dollars at average rates of exchange prevailing in the year in which assets were acquired.
(iii) Revenues and expenses are translated into Canadian dollars at the average rate of exchange for the year with the exception of depreciation, which reflects historic rates used for the related assets.

(f) Statement of changes in financial position
The statement of changes in financial position is presented on a cash flow basis. The comparative figures for 1984, originally presented on a working capital basis, have been reclassified to conform with the current year's presentation.

BRITISH COLUMBIA STEAMSHIP COMPANY (1975) LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 1985

2. FIXED ASSETS

		1985			1984
	Rate	Cost	Accumulated depreciation	Net	Net
Vessel - T.E.V. "Princess Marguerite"		$6,971,826	$2,833,946	$4,137,880	$4,472,405
Automotive equipment	30%	21,593	19,090	2,503	3,577
Furniture and fixtures on shore	20%	23,221	16,996	6,225	6,047
Radio equipment	25%	49,678	39,300	10,378	13,838
Vessel equipment	20%	642,324	446,337	195,987	158,441
Tools	100%	7,262	7,262		
Cutlery, china and linen	100%	30,163	30,163		
Leasehold improvements					
- Victoria		104,977	86,352	18,625	36,036
- Seattle		561,346	487,818	73,528	147,055
		$8,412,390	$3,967,264	$4,445,126	$4,837,399

The "Princess Marguerite" is shown as an asset of the company even though title rests with Her Majesty the Queen in Right of the Province of British Columbia. Operation of the company is dependent on government policy relating to availability of the vessel and funding of operations. A change in government policy affecting the services provided by the company would have a material impact on these financial statements, the effect of which is not determinable at this time.

3. VESSEL LEASE PAYABLE

$1,936,529 is payable to the British Columbia Ferry Corporation, a Crown Corporation, for the lease and other related costs of the motor vessel, "Victoria Princess", used during the 1980 operating season.

BRITISH COLUMBIA STEAMSHIP COMPANY (1975) LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 1985

4. PROMISSORY NOTES AND ACCRUED INTEREST PAYABLE

	1985	1984
Promissory notes	$ 4,832,158	$ 4,165,757
Accrued interest	114,095	48,083
	$ 4,946,253	$ 4,213,840

The promissory notes are payable to the shareholder, the Province of British Columbia, with interest at various rates ranging from 9.15% to 9.90%.

5. CAPITAL STOCK

The company is limited by its articles to issuing a maximum of 55,000 common shares.

6. COMMITMENTS

The company rents the terminal facilities in Seattle under a long term lease which expires in 1987, the annual rental for which is $124,700 U. S. funds. The rental expense under this lease in the current period is $169,375 Canadian funds.

The company rents the terminal facilities in Victoria under long term leases which expire in 1991 and 1994, the annual rental for which is $24,560.

BRITISH COLUMBIA STEAMSHIP COMPANY (1975) LTD.

SCHEDULE OF ON-BOARD SERVICES

YEAR ENDED DECEMBER 31, 1985

	1985	1984
Catering services		
Revenue	$ 1,383,002	$ 1,330,330
Cost of sales	320,324	369,209
Operating expenses	605,217	592,715
Income	457,461	368,406
Lounges		
Revenue	498,874	425,183
Cost of sales	61,178	58,959
Operating expenses	191,006	165,703
Income	246,690	200,521
Newsstands		
Revenue	514,521	424,485
Cost of sales	276,350	226,569
Operating expenses	82,638	57,994
Income	155,533	139,922
Duty-free shop		
Revenue	374,887	426,840
Cost of sales	201,051	218,344
Operating expenses	64,136	66,292
Income	109,700	142,204
Dayrooms		
Revenue	158,281	170,779
Operating expenses	49,570	48,386
Income	108,711	122,393
TOTAL ON-BOARD SERVICES		
Revenue	2,929,565	2,777,617
Cost of sales	858,903	873,081
Operating expenses	992,567	931,090
Income	$ 1,078,095	$ 973,446

BRITISH COLUMBIA SYSTEMS CORPORATION



A MEMBER OF ARTHUR YOUNG INTERNATIONAL

Clarkson Gordon

Chartered Accountants
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1175 Douglas Street
Post Office Box 1205
Victoria, Canada V8W 2V3
Telephone (604) 386-3521

AUDITORS' REPORT

The Honourable James J. Hewitt,
Minister of Consumer and Corporate Affairs,
Province of British Columbia:

We have examined the balance sheet of the British Columbia Systems Corporation as at March 31, 1986 and the statements of income and deficit and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Corporation as at March 31, 1986 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Victoria, Canada.
May 26, 1986.

Clarkson Gordon
Chartered Accountants.

BRITISH COLUMBIA SYSTEMS CORPORATION
(Incorporated as a Crown Corporation under the System Act R.S.B.C. 1979)

BALANCE SHEET

MARCH 31, 1986

(000's)

ASSETS

	1986	1985
Current:		
Cash	$ 2,034	$ 1,764
Accounts receivable	10,344	16,066
Prepaid expenses	307	216
Total current assets	12,685	18,046
Fixed, at cost:		
Land	6,917	6,917
Building	31,227	30,708
Computer and ancillary equipment (note 3)	29,130	21,201
Furniture and fixtures	1,986	2,030
Leasehold improvements	151	26
Deposit on equipment		2,535
	69,311	63,417
Less accumulated depreciation and amortization (note 3)	17,517	10,838
Net fixed assets	51,794	52,579
Other:		
Deferred foreign exchange translation loss [note 6(b)]	628	1,040
	$65,107	$71,665

LIABILITIES

	1986	1985
Current:		
Notes payable, Province of British Columbia (note 5)	$ 2,000	
Accounts payable and accrued charges	6,635	$17,132
Deferred revenue	486	
Current portion of long-term debt (note 6):		
Lease capitalization	3,310	2,556
Other	16,491	579
Total current liabilities	28,922	20,267
Long-term debt (note 6):		
Lease capitalization	3,253	4,804
Other	23,068	39,438
Note payable	10,000	10,000
	36,321	54,242
Deficit (note 7)	(136)	(2,844)
	$65,107	$71,665

Approved by the Directors:

Director

Director

(see accompanying notes)

BRITISH COLUMBIA SYSTEMS CORPORATION

STATEMENT OF INCOME AND DEFICIT

FOR THE YEAR ENDED MARCH 31, 1986

(000's)

	1986	1985
Revenue:		
Processing	$37,221	$30,470
Labour	12,899	11,683
Net services purchased for clients	616	2,263
Interest and other income	1,164	1,394
Total revenue	51,900	45,810
Expenses:		
Employee	16,856	17,848
Equipment rental and maintenance	4,376	5,743
Administrative and general	3,500	4,130
Depreciation and amortization	7,579	5,813
Interest on debt	10,058	9,195
Facilities management fees (note 11)	6,823	4,114
Total expenses	49,192	46,843
Net income (loss) before extraordinary items	2,708	(1,033)
Extraordinary items		(394)
Net income (loss) for the year	2,708	(1,427)
Deficit, beginning of year	(2,844)	(1,417)
Deficit, end of year	$ (136)	$(2,844)

(see accompanying notes)

BRITISH COLUMBIA SYSTEMS CORPORATION

STATEMENT OF CHANGES IN FINANCIAL POSITION

FOR THE YEAR ENDED MARCH 31, 1986

(000's)

	1986	1985
Cash provided by (used in) operating activities:		
Net income (loss) before extraordinary items	$ 2,708	$(1,033)
Add (deduct) items not requiring a current cash payment:		
Depreciation and amortization	7,579	5,813
Deferred foreign exchange translation loss	779	368
Depreciation included in services purchased for clients	681	
Loss on disposition of fixed assets	154	
Net change in non-cash working capital balances related to operations	1,363	4,286
Extraordinary items		(394)
Deduct items included therein not requiring a current cash payment		(104)
Cash provided by operating activities	13,264	8,936
Cash provided by (used in) investment activities:		
Additions to fixed assets	(7,928)	(9,505)
Proceeds on disposition of fixed assets	299	637
Changes in accounts payable for fixed asset purchases	(5,743)	5,841
Cash used in investment activities	(13,372)	(3,027)
Cash provided by (used in) financing activities:		
Long-term debt reductions	(3,618)	(2,870)
Additions to long-term debt	1,996	1,304
Short-term borrowings, net of repayments	2,000	
Cash provided by (used in) financing activities	378	(1,566)
Increase in cash	270	4,343
Cash (bank indebtedness), beginning of year	1,764	(2,579)
Cash, end of year	$ 2,034	$ 1,764

(see accompanying notes)

BRITISH COLUMBIA SYSTEMS CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 1986

1. The Corporation

The British Columbia Systems Corporation is incorporated as a Crown Corporation of the Province of British Columbia under the System Act R.S.B.C. 1979, to advance the effective and efficient use of information systems in government, by providing shared computer processing services, data communication services and other professional services. In 1986 the Corporation received 95% of its revenues from Provincial Government Ministries with the balance from other Government entities.

2. Significant accounting policies

As prescribed by Section 9(6) of the System Act, the financial statements of the Corporation are prepared in accordance with generally accepted accounting principles. Significant accounting policies followed in the preparation of these financial statements are:

a) Accrual accounting:

The accrual method of accounting is used in the preparation of these financial statements. Accordingly, revenues are recorded in the period they are earned and expenditures are recorded in the period they are incurred.

b) Fixed assets:

The Corporation leases some of its computer equipment. Certain of these leases, however, transfer the benefits and risks incident to ownership to the Corporation. In such cases, as more fully described in notes 3 and 6, the leases have been capitalized.

The costs of fixed assets are depreciated and amortized over their estimated useful lives as follows:

Building	- over forty years, on a straight-line basis
Building plant and equipment	- over twenty years, on a straight-line basis
Computer mainframes	- over terms up to five years on an annuity basis
Other computer and ancillary equipment	- over three years, on a straight-line basis

2. Significant accounting policies

b) Fixed assets: (continued)

Furniture and fixtures	- over ten years, on a straight-line basis
Leasehold improvements	- over terms of leases, on a straight-line basis

c) Revenue recognition:

Revenue from fixed price contracts for data processing services is recognized over the terms of the respective contracts. Some contracts contain credit and/or penalty provisions based on actual resource usage relative to established limits. Such credits or penalties are included in revenue.

d) Income taxes:

The Corporation is exempt from Federal and Provincial income taxes.

e) Sinking funds:

Payments made to sinking funds with respect to retirement provisions of the sinking fund debentures will be carried until such time as the debentures are redeemed. Interest earned on the sinking funds is recorded as income.

f) Foreign currency translation:

Debt due in foreign currency is translated to Canadian dollars at the exchange rate prevailing at year end. Any gain or loss on translation is deferred and amortized over the remaining term of the debt, including the current year.

3. Capitalization of leases

Included in fixed assets is computer equipment recorded at a cost of $13,344,000 (1985 - $11,360,000) arising from the capitalization of certain leases. The related accumulated depreciation amounts to $6,937,000 (1985 - $4,028,000).

4. Borrowing authority

Pursuant to section 8(6) of the System Act, the Corporation may be advanced or borrow up to $65,000,000. In computing that amount the aggregate net rentals payable by the Corporation under leases of personal property for a term exceeding one year shall be excluded.

5. Notes payable, Province of British Columbia

Notes payable to the Province of British Columbia bear interest at rates ranging from 9.95% to 11.48% and maturing at various dates to September 15, 1986.

6. Long-term debt

a) Lease capitalization:

The minimum annual contractual obligations with respect to capitalized leases are as follows:

1987	$3,908,000
1988	2,604,000
1989	720,000
1990	388,000
1991	103,000
	7,723,000
Less imputed interest at an average annual rate of 13.5%	1,160,000
Capitalized lease obligations	6,563,000
Less current portion	3,310,000
Long-term portion	$3,253,000

b) Other:

	Interest rate	Maturity Date	Amount
Sinking fund debentures:			
Canada Pension Plan - Series 1	15.69%	2002	$12,441,000
Canada Pension Plan - Series 2	16.10%	2002	11,206,000
Private placement debt for U.S. $11,400,000 repayable in U.S. dollars (see below)	16.88%	1987	15,912,000
			39,559,000
Less current portion			16,491,000
Long-term portion			$23,068,000

6. Long-term debt (continued)

Annual maturities and mandatory sinking fund requirements for each of the next five years and thereafter are as follows:

	Sinking fund payments	U.S. debt	Total
1987	$ 579,000	$15,912,000	$16,491,000
1988	579,000		579,000
1989	579,000		579,000
1990	579,000		579,000
1991	579,000		579,000
Thereafter	20,752,000		20,752,000
	$23,647,000	$15,912,000	$39,559,000

The deferred foreign exchange loss on translation of the U.S. dollar debt to Canadian dollars amounted to $628,000 (1985 - $1,040,000), after charging $779,000 (1985 - $368,000) for amortization in the year.

c) Note payable:

The Corporation has the following financial arrangements with National Trust Company:

Note	Interest rate	Maturity date	Amount
BCSC-1	0.75% less than average bank prime, calculated quarterly	1988	$10,000,000

The Province of British Columbia has guaranteed the payment of principal and interest on all long-term debt issued by the Corporation.

7. Net income

Pursuant to Section 8(5) of the System Act, the Lieutenant-Governor in Council may, each fiscal year, on the recommendation of the Minister of Finance, direct the transfer to the government of all or part of the net income for the current year or for previous years to the extent not previously so transferred.

8. Change in fixed asset life estimates

During the year, the Corporation reviewed the estimated useful life assigned to certain communications equipment used in its network services. Because of changing technology and other factors, this equipment is being replaced in less than the 3 year term assigned for depreciation purposes and is considered to be more in the nature of supplies than capital assets. Accordingly, purchases of such equipment are now expensed, and all such items on hand from previous years have been written off. The value of such equipment expensed in the current year is $230,000 and is included in equipment rental and maintenance. The net book value of prior years' purchases, written off this year, is $614,000, and is included in depreciation.

9. Lease commitments

The Corporation leases some of its premises and computer equipment for periods of up to five years.

The minimum annual contractual obligations of non-cancellable leases are as follows (excluding amounts relating to capitalized leases):

1987	$740,000
1988	$685,000
1989	$555,000
1990	$240,000
1991	$155,000

10. Pension and superannuation plans

Until the Corporation establishes a pension or superannuation plan, the Public Service Superannuation Act applies to the Corporation and its officers and employees. The Corporation is obliged to contribute to the Public Service Superannuation Fund.

11. Facilities management contract

The Corporation is committed under a facilities management contract with Hi-Tech Systems Ltd., a private company owned and operated by former employees of the Corporation. Under the terms of the contract, the company provides the Corporation with services related to the operation of its central computer operation for a 25 month period commencing September 1, 1984. The contract provides for a one year renewal option, exercisable by the Corporation, and negotiations on a renewal are currently in process.

12. Contingent liability

The Corporation's contract with its employees, represented by the B.C. Government Employee Union, expired October 31, 1985. Negotiations for a new contract are still in process. No provision has been made in these financial statements for the impact, if any, that the new contract might have on the fiscal year ended March 31, 1986.

13. Comparative figures

Certain comparative figures have been reclassified to conform to the method of presentation adopted in 1986. In particular, the 1985 statement of changes in financial position has been restated in accordance with the cash basis format used in 1986.

BRITISH COLUMBIA TRANSIT

KMG Thorne Riddell

Chartered Accountants

AUDITORS' REPORT

To the Members of the Board of Directors of

British Columbia Transit

We have examined the balance sheet of British Columbia Transit as at March 31, 1986 and the statements of operating division expenditures and recoveries, asset division revenue and expenditures and accumulated net revenue, contributed surplus, changes in financial position and changes in regional transit funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of British Columbia Transit as at March 31, 1986 and the results of its operations and the changes in its financial position for the year then ended in accordance with the accounting principles described in note 2 to the financial statements applied, after giving retroactive effect to the change in the method of calculating depreciation and accounting for contributed surplus as explained in note 3 to the financial statements, on a basis consistent with that of the preceding year.

Thorne Riddell

Vancouver, Canada
June 6, 1986

Chartered Accountants

BRITISH COLUMBIA TRANSIT

BALANCE SHEET AS AT MARCH 31, 1986

ASSETS	1986 ($000)	1985 ($000) (notes 1 & 3)	LIABILITIES, EQUITY AND FUND BALANCES	1986 ($000)	1985 ($000) (notes 1 & 3)
OPERATING DIVISION					
CURRENT ASSETS			CURRENT LIABILITIES		
Accounts receivable			Cheques issued in excess of funds on deposit	$ 7,341	$ 4,598
Province of British Columbia	$ 6,832	$ 12,031	Accounts payable and accrued liabilities	18,290	18,932
Municipalities	9,667	15,360	Payable to contractors	1,606	1,232
Sundry	4,998	1,392	Deferred revenue	-	1,496
Parts inventory	8,780	7,733	Payable to Asset Division	-	6,870
Prepaid expenditures	2,657	1,970		27,237	33,128
	32,934	38,486			
			EQUITY		
FIXED ASSETS	-	334	Contributed surplus	5,697	5,692
	32,934	38,820		32,934	38,820
ASSET DIVISION					
CURRENT ASSETS			CURRENT LIABILITIES		
Cash and term deposits	5,602	2,973	Accounts payable and accrued liabilities	74,265	76,298
Accrued interest and accounts receivable	427	2,177	Notes payable (note 6)	393,803	245,223
Receivable from the operating division	-	6,870	Current portion of long-term debt	7,138	26,800
Parts inventory	949	872	Current obligations under capital leases	4,902	2,749
	6,978	12,892		480,108	351,070
			LONG-TERM DEBT (note 7)	424,485	336,788
10% MORTGAGE RECEIVABLE, DUE MARCH 31, 1989	700	700			
			OBLIGATIONS UNDER CAPITAL LEASES (note 8)	183,485	96,982
DEBENTURE SINKING FUND	11,961	4,285			
			DEFERRED REVENUE	1,253	686
FIXED ASSETS					
Land, buildings and equipment (note 4)	240,291	231,386	EQUITY		
Advanced Light Rapid Transit (note 5)	1,037,667	748,799	Contributed surplus (note 9)	203,798	211,760
Commuter rail	-	2,838	Accumulated net revenue	4,468	3,614
	1,277,958	983,023		208,266	215,374
	1,297,597	1,000,900		1,297,597	1,000,900
	$1,330,531	$1,039,720		$1,330,531	$1,039,720
REGIONAL TRANSIT FUNDS					
			Payable to British Columbia Transit - Operating Division	$ 6,874	$ 13,493
Cash and term deposits	$ 11,219	$ 12,493	Accounts payable	-	20
Accounts receivable and accrued interest	2,268	2,340	Fund balances	6,613	1,320
	$ 13,487	$ 14,833		$ 13,487	$ 14,833

Approved by the Board

Director

Director

Contingencies (note 10)

BRITISH COLUMBIA TRANSIT

OPERATING DIVISION

STATEMENT OF EXPENDITURES AND RECOVERIES

YEAR ENDED MARCH 31, 1986

	1986 ($000)	1985 ($000)
Expenditures		
Transit operations		
Operating and maintenance	$171,845	$141,422
Vehicle lease fees	11,734	11,850
Property lease fees and property taxes	4,320	3,929
Interest and financing charges - asset division	1,377	1,794
Municipal administration	265	257
Merchandising	791	667
Other	-	35
	190,332	159,954
Authority administration	5,153	4,716
	195,485	164,670
Recoveries		
Contributions from the Province of British Columbia	72,781	65,384
Contributions from municipalities	34,369	42,368
Transit operations	88,335	56,918
	195,485	164,670
NET EXPENDITURES	-	-

BRITISH COLUMBIA TRANSIT

ASSET DIVISION

STATEMENT OF REVENUE AND EXPENDITURES AND ACCUMULATED NET REVENUE

YEAR ENDED MARCH 31, 1986

	1986 ($000)	1985 ($000) (note 3)
Revenue		
Vehicle lease fees	$11,761	$11,873
Other lease revenue	4,603	4,232
Financing charges - operating division	1,377	1,794
Interest earned	875	238
Other	140	154
	18,756	18,291
Expenditures		
Interest on obligations under capital leases	7,336	8,141
Depreciation	5,640	4,789
Interest	2,967	3,683
Property taxes and other property expenses	2,207	2,103
Property leases	901	841
Other	299	279
Asset planning studies	-	681
	19,350	20,517
	(594)	(2,226)
Other		
Write-down to estimated net recoverable value		
Commuter rail	(2,870)	-
Other fixed assets	(109)	-
Amortization of contributed surplus to offset depreciation charged on contributed assets	2,142	1,828
Realization of contributed surplus on disposal of contributed assets	2,455	-
Gain (loss) on disposal of fixed assets	(170)	206
	1,448	2,034
NET REVENUE (EXPENDITURES)	854	(192)
Accumulated net revenue (expenditures) at beginning of year		
As previously reported	(16,728)	(8,802)
Change in accounting policy (note 3)	20,342	12,608
As restated	3,614	3,806
ACCUMULATED NET REVENUE AT END OF YEAR	$ 4,468	$ 3,614

BRITISH COLUMBIA TRANSIT

ASSET DIVISION

STATEMENT OF CONTRIBUTED SURPLUS

YEAR ENDED MARCH 31, 1986

	1986 ($000)	1985 ($000) (note 3)
BALANCE AT BEGINNING OF YEAR		
As previously reported	$216,588	$210,324
Change in accounting policy (note 3)	(4,828)	(3,000)
As restated	211,760	207,324
Grant from the Province of British Columbia, being equal to interest on the $55,000,000 loan payable to the Province	5,500	6,264
Amount transferred to statement of revenue and expenditures and accumulated net revenue to offset depreciation charged on contributed assets	(2,142)	(1,828)
Reduction on appraisal of contributed assets	(8,865)	-
Reduction on disposition of contributed assets	(2,455)	-
BALANCE AT END OF YEAR	$203,798	$211,760

BRITISH COLUMBIA TRANSIT

STATEMENT OF CHANGES IN FINANCIAL POSITION

YEAR ENDED MARCH 31, 1986

	1986 ($000)	1985 ($000) (notes 1 & 3)
CASH RESOURCES PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Net revenue (expenditures)	$ 854	$ (192)
Items not involving cash		
Depreciation	5,695	4,845
Amortization of bond discount	633	633
Write-downs to estimated net recoverable value	2,979	-
Amortization of contributed surplus to offset depreciation charged on contributed assets	(2,142)	(1,828)
Realization of contributed surplus on disposal of contributed assets	(2,455)	-
Loss (gain) on disposal of fixed assets	170	(206)
Cash generated from (used for) operating working capital		
Accrued interest and accounts receivable	9,036	(20,070)
Parts inventory	(1,124)	(17)
Prepaid expenditures	(687)	151
Accounts payable and accrued liabilities	(2,301)	16,767
Deferred revenue	(929)	2
	9,729	85
CASH RESOURCES PROVIDED BY (USED IN)		
FINANCING ACTIVITIES		
Proceeds on capital leases of vehicles and equipment	90,947	28,033
Principal repayments on obligations under capital leases	(2,291)	(1,385)
Increase (decrease) in		
Long-term debt	67,402	144,237
Notes payable	148,580	145,223
Debenture sinking fund	(7,676)	(3,886)
Decrease in mortgage receivable	-	100
	296,962	312,322
CASH RESOURCES PROVIDED BY (USED IN)		
INVESTING ACTIVITIES		
Proceeds from sale of fixed assets	1,989	206
Additions to		
Land, buildings and equipment	(17,032)	(4,114)
Advanced Light Rapid Transit	(291,730)	(368,100)
Commuter rail	(32)	(121)
	(306,805)	(372,129)
DECREASE IN CASH POSITION	(114)	(59,722)
CASH POSITION AT BEGINNING OF YEAR	(1,625)	58,097
CASH POSITION AT END OF YEAR	$ (1,739)	$ (1,625)

(Cash position is defined to include Operating Division and Asset Division cash and term deposits less cheques issued in excess of funds on deposit)

BRITISH COLUMBIA TRANSIT

STATEMENT OF CHANGES IN REGIONAL TRANSIT FUNDS

YEAR ENDED MARCH 31, 1986

	Vancouver ($000)	Victoria ($000)	Total 1986 ($000)	Total 1985 ($000)
FUND BALANCE AT BEGINNING OF YEAR	$ 257	$1,063	$ 1,320	$ 7,130
Revenue				
Gas tax	14,144	-	14,144	14,500
Non-residential property tax	8,089	-	8,089	6,834
Power levy	8,730	3,589	12,319	9,850
Interest earned	809	159	968	1,433
	31,772	3,748	35,520	32,617
Contribution to shareable deficit	(26,766)	(3,461)	(30,227)	(38,427)
FUND BALANCE AT END OF YEAR	$ 5,263	$1,350	$ 6,613	$ 1,320

BRITISH COLUMBIA TRANSIT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 1986

1. STATUS OF THE AUTHORITY

The Urban Transit Authority of British Columbia was created by the Province of British Columbia on June 29, 1978 under the Urban Transit Authority Act. The majority of the sections of the Act were brought into force by proclamation on July 20, 1978. During 1982 the title of the Act and the name of the Authority were changed to the British Columbia Transit Act and British Columbia Transit respectively. Effective June 1, 1985, the British Columbia Transit Amendment Act (No. 2), 1985 merged the Metro Transit Operating Company with British Columbia Transit. Pursuant to the Act, the Authority assumed all property, rights, debts and obligations as well as responsibility for all employees of Metro Transit Operating Company.

The merger has been accounted for as a pooling of interests and, as such, these financial statements present the financial position and results of the operations of the entities as though they had been combined since inception. Net assets of the operating division at March 31, 1985 have been increased (decreased) from that previously reported by British Columbia Transit as follows ($000).

Accounts receivable - sundry	$ 479
Parts inventory	7,733
Prepaid expenditures	1,967
Cheques issued in excess of funds on deposit	(769)
Accounts payable and accrued liabilities	(18,438)
Payable to contractors	14,435
Contributed surplus	$(5,407)

The merger did not affect any amounts recorded in the asset division, the regional transit funds, or in the operating division's statement of expenditures and recoveries.

2. ACCOUNTING POLICIES

The accompanying financial statements are prepared in accordance with accounting principles appropriate for British Columbia Transit. These principles are in conformity with generally accepted accounting principles appropriate for commercial enterprises, with the exceptions identified in note 2(a) and (c).

(a) Divisional reporting

Operating Division

The Operating Division consists of those assets, liabilities, expenditures and recoveries which relate to the provision of transit services and the administrative activities of the Authority, the deficits of which are fully shareable between the participating municipalities and the Province of British Columbia in accordance with the provisions of the British Columbia Transit Act and the related regulations. The vehicle and property lease fees expensed in the operating division are those charged by the asset division for the lease of assets used in transit operations.

2. ACCOUNTING POLICIES (continued)

(a) Divisional reporting (continued)

Asset Division

The Asset Division consists of those assets, liabilities, revenue and expenditures which relate to the revenue equipment and other physical assets owned by the Authority and leased to its contract operators, including the Operating Division, for use in the provision of transit services.

(b) Parts inventory

Parts inventory is valued at the lower of cost and replacement value. Cost is determined using the average cost method. Certain operating division parts inventory was acquired by the Metro Transit Operating Company from B.C. Hydro in 1980 at a nominal cost. At the time of their acquisition, this inventory was valued at their average cost to B.C. Hydro with the difference being credited to contributed surplus.

(c) Fixed assets

Fixed assets have been recorded as follows:

(i) Fixed assets transferred from the Province of British Columbia in fiscal year 1980, at appraised value. This appraisal for revenue vehicles was carried out by General Appraisal of Canada Limited as at June 30, 1979.

(ii) Revenue vehicles acquired from British Columbia Hydro & Power Authority pursuant to the Metro Transit Operating Company Act, at appraised value. This appraisal was carried out by General Appraisal of Canada Limited as at March 1, 1980.

(iii) Seabuses, the South Shore and North Shore Seabus Terminals, acquired from the Province of British Columbia, at appraised value. The appraisal of the seabuses and the South Shore Seabus Terminal was carried out by General Appraisal of Canada Limited as at July 15, 1980. The appraisal of the North Shore Seabus Terminal land was carried out by General Appraisal of Canada Limited as at April 1, 1981 and of the buildings and improvements as at June 30, 1981.

(iv) The trolley overhead system acquired from British Columbia Hydro & Power Authority on January 1, 1984 at its nominal value of $1.

(v) Land, land improvements, buildings and equipment acquired from British Columbia Hydro & Power Authority pursuant to the Metro Transit Operating Company Act, at appraised value. The following appraisals were carried out by General Appraisal of Canada Limited as at the indicated dates:

North Shore Bus Garage - land - April 1, 1981
North Shore Bus Garage - buildings and improvements - June 30, 1981
Edmonds bus loop - land - April 1, 1982
Other land - April 1, 1980
Other buildings and land improvements - March 1, 1981

2. ACCOUNTING POLICIES (continued)

(v) (continued)
The Gilmore property, including land, buildings and improvements, was appraised by The Cumberland Group as at September 13, 1985.

All appraisals are fair market value appraisals with the exception of the appraisal of other buildings and land improvements, which are appraised at depreciated replacement cost.

(vi) All costs related to the Advanced Light Rapid Transit (ALRT) system have been capitalized. These costs include net interest expenditures as indicated in note 2(d), the costs incurred in testing the service reliability of the Vancouver/New Westminster phase of the ALRT system to March 31, 1986 and the remaining estimated net costs relating to this phase of the system.

(vii) All other fixed assets, at cost, including capitalized interest as indicated in note 2(d).

(viii) Depreciation is provided on the basis which results in a matching of these charges with the Authority's statutory power to recover the costs of the related assets through lease fees. All assets are depreciated over their estimated remaining useful lives.

(d) Capitalization of interest
Interest, incurred in connection with capital acquisitions from the date of advance of funds until the assets are placed in service for transit purposes, is capitalized. Interest of $96,238,000 was capitalized during the year ended March 31, 1986.

(e) Amortization of bond discounts
Bond discounts are amortized on a straight-line basis over the term of the debt.

(f) Amortization of contributed surplus
Contributed surplus is being amortized using the same method as that used to record depreciation on those assets for which the Authority does not have statutory power to obtain full recovery from operations.

3. CHANGE IN ACCOUNTING POLICIES

During the year the Authority changed its method of depreciating fixed assets to the basis described in note 2(c)(viii), from the straight-line method. Furthermore, the Authority changed its accounting for contributed surplus to that described in note 2(f).

These changes have been made to conform with the Authority's ability to recover its costs as set out by statute retroactive to the Authority's inception. The effect of these changes is to increase net revenues (decrease net expenditures) of the Asset Division by $7,030,000 in 1986 and by ($7,734,000 in 1985), and to increase the net book value of land, buildings and equipment at March 31, 1985 by $15,514,000.

4. LAND, BUILDINGS AND EQUIPMENT

	1986			1985
	Carrying value ($000)	Accumulated depreciation ($000)	Net ($000)	Net ($000) (note 3)
Land	$ 59,180	-	$ 59,180	$ 56,384
Land improvements	8,257	$ 339	7,918	4,765
Buildings	48,068	3,042	45,026	50,001
Revenue vehicles	56,180	17,243	38,937	41,290
Revenue vehicles under capital leases	77,002	5,244	71,758	74,049
Equipment	3,737	463	3,274	1,218
Projects in progress	14,198	-	14,198	3,679
	$266,622	$26,331	$240,291	$231,386

5. ADVANCED LIGHT RAPID TRANSIT

	1986 ($000)	1985 ($000)
Vehicles under capital lease	$ 125,109	$ 58,558
Trackwork and equipment	116,401	77,475
Construction		
Guideway	182,364	166,252
Stations	62,431	46,117
System wide	94,835	72,140
Property and rights-of-way	37,976	57,369
Design engineering and administration	202,461	180,309
Pre-build demonstration	3,275	3,602
Testing and commissioning	29,533	11,390
	854,385	673,212
Net interest expense	161,575	67,602
	1,015,960	740,814
Surrey extension	20,594	7,985
Surrey extension net interest expense	1,113	-
	$1,037,667	$748,799

6. NOTES PAYABLE

	1986 ($000)	1985 ($000)
Notes payable	$ 49,000	$100,000
Commercial paper with the Province of British Columbia	344,803	145,223
	$393,803	$245,223

Notes payable totalling $49,000,000 are guaranteed by the Province of British Columbia.

7. LONG-TERM DEBT

	1986 ($000)	1985 ($000)
Prime less .75% loan payable, Province of British Columbia, interest to be waived as a grant from the Province, principal due on commencement of revenue service of the Advanced Light Rapid Transit system	$ 55,000	$ 55,000
15.54% Debenture, interest payable semi-annually, sinking fund instalments of $378,127 payable annually, due September 10, 2002	17,304	17,304
11.53% Debenture, interest payable semi-annually, sinking fund instalments of $551,348 payable annually, due May 10, 2003	25,231	25,231
11.37% Debenture, interest payable semi-annually, sinking fund instalments of $152,964 payable annually, due July 8, 2003	7,000	7,000
11.51% Debenture, interest payable semi-annually, sinking fund instalments of $164,130 payable annually, due August 10, 2003	7,511	7,511
11.65% Debenture, interest payable semi-annually, sinking fund instalments of $218,520 payable annually, due November 10, 2003	10,000	10,000
12.60% Debenture, interest payable semi-annually, sinking fund instalments of $700,859 payable annually, due April 2, 2004	32,073	32,073
13.48% Debenture, interest payable semi-annually, sinking fund instalments of $1,295,649 payable annually, due May 10, 2004	59,292	59,292
13.70% Debenture, interest payable semi-annually, sinking fund instalments of $1,155,337 payable annually, due June 8, 2004	52,871	52,871
12.57% Debenture, interest payable semi-annually, sinking fund instalment of $142,009 payable annually, due April 10, 2005	36,790	-
12.15% Debenture, interest payable semi-annually, sinking fund instalment of $195,362 payable annually, due May 10, 2005	50,612	-
11.125% Bond payable, interest payable annually, sinking fund instalments of $1,841,450 payable annually, due December 1, 1998	50,000	50,000
8.75% Bond payable, interest payable annually, sinking fund instalments of $341,950 payable annually, due January 15, 2009	25,000	25,000
Prime less .75% loan payable	-	20,000
Carried forward	428,684	361,282

7. LONG-TERM DEBT (continued)

	1986 ($000)	1985 ($000)
Brought forward	$428,684	$361,282
Less unamortized bond discount	11,061	11,694
	417,623	349,588
12.25% Serial debenture, interest payable annually, principal repayments of $1,400,000 payable annually commencing January 31, 1991, with a final payment of $7,000,000 due January 31, 1996	14,000	14,000
	431,623	363,588
Less current portion	7,138	26,800
	$424,485	$336,788

Long-term debt totalling $387,684,000 is guaranteed by the Province of British Columbia.

Sinking fund payments due in each of the next five years are approximately as follows ($000):

1987	$7,138
1988	7,138
1989	7,138
1990	7,138
1991	8,538

8. OBLIGATIONS UNDER CAPITAL LEASES

The obligations under capital leases, which mature at various dates from 1993 to 2006, represent the total present value of future minimum lease payments discounted at the interest rates implicit in the leases at the commencement of the lease term. These rates range from 7.5% to 16.75%.

Obligations under capital leases totalling approximately $179,968,000 are guaranteed by the Province of British Columbia.

The following is a schedule by years of future minimum lease payments together with the balance of the obligations under capital leases as of March 31, 1986 ($000):

1986	$ 23,615
1987	23,615
1988	23,615
1989	23,615
1990	23,615
1991 - 2006	261,809
	379,884
Less amount representing interest	191,497
Balance of obligations	$188,387

9. CONTRIBUTED SURPLUS

Contributed surplus consists of grants from the Provincial and the Federal Governments less accumulated amortization as follows:

	1986			1985
	Contribution ($000)	Accumulated amortization ($000)	Net ($000)	Net ($000)
Province of British Columbia	$150,768	$6,970	$143,798	$151,760
Government of Canada	60,000	-	60,000	60,000
	$210,768	$6,970	$203,798	$211,760

10. CONTINGENCIES

The Province of British Columbia has informed the Vancouver Regional Transit Commission that it will give a grant of approximately $275 million to British Columbia Transit representing 50% of the Advanced Light Rapid Transit guideway and station construction cost. This grant will be reflected in contributed surplus in the period it is received.

Pursuant to an agreement dated February 26, 1982, the Authority received $60,000,000 from the Government of Canada to be applied to the Advanced Light Rapid Transit project. The Authority is contingently liable for repayment of some or all of the funds in the event of non-compliance with certain provisions of the agreement.

British Columbia Transit is disagreeing with the supplier of the ALRT system on the interpretation of certain clauses of the purchase agreement. There are also a number of sub-contractor claims which have not yet been settled. The outcome of the negotiations relating to these matters cannot presently be determined. They will be reflected in the accounts in the period of settlement.

11. COMPARATIVE FIGURES

Certain figures for the prior year have been reclassified to conform with the presentation adopted in the current year.

CRESTON VALLEY WILDLIFE MANAGEMENT AUTHORITY TRUST FUND

Province of British Columbia

Office of the
Auditor General
Province of British Columbia

8 Bastion Square
Victoria
British Columbia
V8V 1X4

AUDITOR'S REPORT

To the Members of the Creston Valley Wildlife Management Authority, and

To the Minister of Environment
Province of British Columbia

I have examined the balance sheet of the Creston Valley Wildlife Management Authority Trust Fund as at 31 March 1986 and the statement of revenue, expenditure and surplus for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Trust Fund as at 31 March 1986 and the results of its operations for the year then ended in accordance with the accounting policies set out in note 2 to the financial statements, applied on a basis consistent with that of the preceding year.

Erma Morrison

Erma Morrison, F.C.A.
Auditor General

Victoria, British Columbia
29 May 1986

CRESTON VALLEY WILDLIFE MANAGEMENT AUTHORITY

TRUST FUND

BALANCE SHEET

AS AT 31 MARCH 1986

	1986	1985
ASSETS		
Cash	$ 21,896	$ 8,346
Short-term investments	66,500	67,968
Accounts and accrued interest receivable	8,328	4,805
Inventory	8,873	8,389
Prepaid expenses	3,932	-
	109,529	89,508
Long-term investments (market value $157,667 - 1985 $110,846)	141,942	110,025
Fixed assets	1	1
	$251,472	$199,534
LIABILITIES		
Deferred revenue (note 4)	$ 10,787	$ -
Refundable security deposits	1,707	1,395
Accrued expenses	1,082	-
	13,576	1,395
SURPLUS	237,896	198,139
	$251,472	$199,534

The accompanying notes are an integral part of these financial statements.

Approved by the Management Authority

D. McDonald - Chairman

A. Martell - Member

CRESTON VALLEY WILDLIFE MANAGEMENT AUTHORITY

TRUST FUND

STATEMENT OF REVENUE, EXPENDITURE AND SURPLUS

FOR THE YEAR ENDED 31 MARCH 1986

	1986	1985
REVENUE		
Grants		
Province of British Columbia	$100,000	$ 75,000
Government of Canada	100,000	75,000
	200,000	150,000
Interest	26,628	24,713
Operations		
Wildlife Centre	3,869	-
Campground	9,811	12,761
West Meadows	12,308	11,635
Donations	8,551	1,910
Publications and other sales	14,301	9,211
Permits and sundry	10,849	12,739
	59,689	48,256
	286,317	222,969
EXPENDITURE		
Wildlife Centre	72,879	6,709
Administration and general	64,555	71,909
Habitat management	36,224	43,823
Public services and information	33,548	40,338
Campground	20,188	12,696
Sales expense	12,823	8,923
West Meadows	5,309	4,155
Office furniture and equipment	593	182
Buildings	441	1,474
	246,560	190,209
EXCESS OF REVENUE OVER EXPENDITURE FOR THE YEAR	39,757	32,760
SURPLUS - BEGINNING OF YEAR	198,139	165,379
SURPLUS - END OF YEAR	$237,896	$198,139

CRESTON VALLEY WILDLIFE MANAGEMENT AUTHORITY

TRUST FUND

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 1986

1. Trust Fund

The Creston Valley Wildlife Management Authority was established by the Creston Valley Wildlife Act. The Trust Fund is established by Section 20 of that Act and includes all funds of the Management Authority, except money appropriated by the legislature otherwise than by way of grants to the Trust Fund. All money of the Trust Fund is to be applied for wildlife conservation, management and development in the Creston Valley wildlife management area.

2. Significant Accounting Policies

These financial statements have been prepared in accordance with generally accepted accounting principles, except as modified by note c) below. Significant accounting policies followed in the preparation of these financial statements are:

a) Inventory is valued at the lower of cost and net realizable value.

b) Long-term investments are recorded at cost with the discount amortized on a straight-line basis over the terms of the investments.

c) Fixed assets are expensed in the year of acquisition.

3. Grants

a) Since the establishment of the Trust Fund in 1970, the Ministry of Environment of the Government of British Columbia paid directly for certain expenditures of the Management Authority. Effective 1 April 1985 the Government ceased to pay for some of these expenditures, and instead has increased its grant to the Trust Fund.

b) The Creston Valley Wildlife Centre provides nature education in the management area. The Centre was operated by the Canadian Wildlife Service of the federal government till 1 April 1985, at which date the Centre was transferred to the Authority. Additional grants have been received from both the federal and provincial governments to partly cover the costs of operating the Centre.

CRESTON VALLEY WILDLIFE MANAGEMENT AUTHORITY

TRUST FUND

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 1986

4. Deferred Revenue

Deferred revenue consists primarily of a $10,000 grant from the National Parks Centennial Citizens' Committee, received in advance for the purpose of constructing an elevated trail. The construction has not yet commenced.

5. Comparative Figures

Certain of the comparative figures for the previous year have been reclassified to conform with the current year's presentation. These reclassifications have had no effect on the operating results as previously reported.

DISCOVERY FOUNDATION



Thorne Riddell

Chartered Accountants

AUDITORS' REPORT

To the Trustees of

Discovery Foundation

We have examined the consolidated balance sheet of Discovery Foundation as at March 31, 1986 and the consolidated statements of operations and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Foundation as at March 31, 1986 and the results of its operations and the changes in its financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Thorne Riddell

Vancouver, Canada
July 7, 1986

Chartered Accountants

DISCOVERY FOUNDATION
(Incorporated under the Society Act of British Columbia)

CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 1986

ASSETS	1986	1985 (restated - note 2)
CURRENT ASSETS		
General cash	$ 199,448	-
Segregated cash (note 3)	102,600	-
Accounts receivable	357,384	$ 287,697
Receivable from Discovery Enterprise Program (note 3)	164,267	173,360
Prepaid expenses	28,673	20,719
	852,372	481,776
INVESTMENT IN RESEARCH PARKS		
Willingdon	6,063,363	5,869,291
Simon Fraser University	2,922,219	2,922,219
University of British Columbia	696,667	229,463
Pacific Aquaculture Centre	178,610	97,751
	9,860,859	9,118,724
Less accumulated depreciation	32,607	20,400
	9,828,252	9,098,324
FUNDS APPROPRIATED FOR RESEARCH PARK DEVELOPMENT (note 4)	3,028,664	3,591,137
FIXED ASSETS, less accumulated depreciation and amortization (note 5)	331,479	465,986
DEFERRED CHARGES, less accumulated amortization (note 6)	1,320,537	2,328,523
	$15,361,304	$15,965,746

LIABILITIES AND EQUITY IN RESEARCH FACILITIES

CURRENT LIABILITIES		
Cheques outstanding in excess of funds on deposit	-	$ 50,620
Accounts payable and accrued liabilities	$ 736,791	688,694
Holdbacks payable	1,845	11,259
Rent received in advance	188,006	200,340
Payable to Discovery Enterprise Program (note 3)	171,004	-
	1,097,646	950,913
PACIFIC AQUACULTURE CENTRE DEVELOPMENT LOAN FUND (note 7)	3,028,664	2,826,538
EQUITY IN RESEARCH FACILITIES	11,234,994	12,188,295
	$15,361,304	$15,965,746

Contingencies and commitments (note 9)
Subsequent events (notes 7 and 10)

Approved by the Board of Trustees

Trustee

Trustee

DISCOVERY FOUNDATION

CONSOLIDATED STATEMENT OF OPERATIONS

YEAR ENDED MARCH 31, 1986

	1986	1985 (restated - note 2)
Revenue		
Funds provided by the Province of British Columbia	$ 750,000	$ 795,300
Interest on appropriated funds	44,662	67,767
Gain on sale of investment	17,098	-
	811,760	863,067
Expenses		
Net cost of subsidizing rents for high technology companies in the start-up phase (schedule 1)	719,587	657,054
Net cost of support provided the B.C. Innovation Office (schedule 2)	218,996	133,059
Discovery Enterprise Program unrecoverable costs	28,535	8,557
Advertising and promotion	95,729	131,215
Consulting and architectural fees	15,472	40,825
Depreciation and amortization	38,399	30,142
Directors' fees	19,900	-
Office and general	137,089	102,791
Professional fees	54,936	73,022
Proposal and project start-up costs	46,964	34,785
Salaries and benefits	411,038	299,731
Travel and public relations	59,275	24,232
	1,845,920	1,535,413
Excess of expenses over revenue before extraordinary item	1,034,160	672,346
Settlement of lien claim	-	335,000
Excess of expenses over revenue for the year	1,034,160	1,007,346
Equity in research facilities at beginning of year		
As previously reported	12,719,873	13,097,890
Settlement of lien claim (note 2(a))	(335,000)	-
Aquaculture Centre Development Loan fund (note 2 (b))	(196,578)	-
As restated	12,188,295	13,097,890
Contributions toward Pacific Aquaculture Centre	80,859	97,751
EQUITY IN RESEARCH FACILITIES AT END OF YEAR	$11,234,994	$12,188,295

DISCOVERY FOUNDATION

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

YEAR ENDED MARCH 31, 1986

	1986	1985
CASH RESOURCES PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Excess of expenses over revenue for the year	$(1,034,160)	$(1,007,346)
Depreciation, an item not involving funds	1,198,776	1,058,343
Cash generated from (used for) operating working capital		
Accounts receivable	(69,687)	(186,643)
Discovery Enterprise Program	180,097	(116,045)
Prepaid expenses	(7,954)	12,974
Accounts payable and accrued liabilities	48,097	292,195
Holdbacks payable	(9,414)	3,042
Rent received in advance	(12,334)	(17,225)
	293,421	39,295
CASH RESOURCES PROVIDED BY FINANCING ACTIVITIES		
Pacific Aquaculture development loan	202,126	2,826,538
Contributions toward Pacific Aquaculture Centre	80,859	97,751
	282,985	2,924,289
CASH RESOURCES PROVIDED BY (USED IN) INVESTING ACTIVITIES		
Investment in research parks		
Willingdon	(194,072)	(182,481)
University of British Columbia	(467,204)	(25,014)
Pacific Aquaculture Centre	(80,859)	(9,104)
Purchase of fixed assets	(44,076)	(256,134)
Funds appropriated for research park development	562,473	(2,633,372)
	(223,738)	(3,106,105)
INCREASE (DECREASE) IN CASH POSITION	352,668	(142,521)
CASH POSITION AT BEGINNING OF YEAR	(50,620)	91,901
CASH POSITION AT END OF YEAR	$ 302,048	$ (50,620)

(Cash position is defined as general and segregated cash)

DISCOVERY FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 1986

1. SIGNIFICANT ACCOUNTING POLICIES

The Foundation was incorporated on September 24, 1979 under the provisions of the Society Act of British Columbia and is a registered charitable organization. These consolidated financial statements include the accounts of the Foundation and its wholly-owned subsidiary companies:
Discovery Parks Incorporated (acts as agent for the Foundation)
272319 B.C. Ltd. and its subsidiary company 3112 Investments Ltd.

(a) Depreciation and amortization

Fixed assets are stated at cost with depreciation and amortization provided as follows:

(i) Furniture and fixtures are depreciated over their estimated useful lives using the declining balance method at an annual rate of 20% from month of purchase.

(ii) Leasehold improvements are amortized using the straight-line method over the term of the lease plus one renewal period.

(iii) The parking lot is being depreciated over its estimated useful life using the declining balance method at an annual rate of 8% from month of completion.

(b) Investment in research parks

Costs related directly to the site development of the research parks are capitalized. Included in this capitalization are property taxes on non-operating building sites. Depreciation is provided on building sites which are operational on the straight-line basis over 40 years.

2. RESTATED AMOUNTS

(a) During the year, the Foundation reached an out of court settlement with respect to a lien claim filed by a contractor hired by a former tenant. The payment of $335,000 has been retroactively reflected in the accounts as an extraordinary item and as an increase in accounts payable for the year ended March 31, 1985.

(b) In accordance with the proposed renegotiation of the Pacific Aquaculture Centre Development Loan (note 7) the proceeds of the loan and any interest earned thereon are to be segregated as a separate fund for repayment. In the prior year, interest earned on the principal amount of this loan was included in revenue in the consolidated statement of operations and increased the equity in research facilities. These consolidated statements have been retroactively restated to reflect the proposed repayment of interest as well as principal by decreasing interest on appropriated funds by $294,329 and increasing contributions toward Pacific Aquaculture Centre by $97,751. Equity in research facilities has been decreased and the Pacific Aquaculture Centre Development Loan Fund has been increased by the net amount of $196,578 at March 31, 1985.

3. DISCOVERY ENTERPRISE PROGRAM

(a) Receivable from

The Foundation, under contract with the Province of British Columbia, dated December 5, 1983 and renewed in August, 1984, acts as agent for and administers the Discovery Enterprise Program. This program is an initiative of the Province of British Columbia to provide venture capital funding to advanced technology enterprises for the development and marketing of products or processes. The Foundation is reimbursed for costs of administering the program to the extent of program investment performance.

(b) Payable to

The amount owing is without interest or specific terms of repayment, however, $102,600 of the company's cash held on deposit is segregated for partial repayment of the debt.

(c) Other

The Discovery Enterprise Program was transferred to a newly formed subsidiary of the Foundation effective April 1, 1986 (note 10).

4. FUNDS APPROPRIATED FOR RESEARCH PARK DEVELOPMENT

As at March 31, the Foundation held cash and investments which were committed to the development of the following research parks:

	1986	1985
Pacific Aquaculture Centre Loan Fund	$3,028,664	$2,826,538
University of British Columbia	-	468,000
Other	-	296,599
	$3,028,664	$3,591,137

5. FIXED ASSETS

	1986			1985
	Cost	Accumulated depreciation and amortization	Net book value	Net book value
Furniture and fixtures	$114,600	$ 45,620	$ 68,980	$ 61,840
Leasehold improvements				
Discovery Foundation premises	93,253	65,216	28,037	47,723
Tenant space	482,865	325,841	157,024	279,054
Parking lots	86,205	8,767	77,438	77,369
	$776,923	$445,444	$331,479	$465,986

6. DEFERRED CHARGES

Deferred charges consist of prepaid rent which arose on sale and leaseback of the Foundation's multi-tenant facility at Willingdon during the year ended March 31, 1983. The balance of the prepaid rent is being amortized on the sinking fund basis over the remaining term of the lease, expiring May 31, 1987. It is a component of the net cost of subsidizing rents for high technology companies in the start-up phase.

7. PACIFIC AQUACULTURE CENTRE DEVELOPMENT LOAN FUND

The Foundation originally received $2,630,000 as a loan from the Province of British Columbia, under the federally and provincially sponsored Industrial Development Subsidy Agreement, to be used exclusively for the construction of the Pacific Aquaculture Centre on Vancouver Island, British Columbia. Subsequent to the year end, the Foundation commenced negotiations to refinance this loan. Terms of the refinancing require the Foundation to repay the original principal and any interest earned on the borrowed funds while held less eligible expenditures made. The following summarizes the amount to be repaid subsequent to the year end:

	1985	1986
Principal	$2,630,000	$2,630,000
Interest earned on borrowed funds	577,274	294,289
	3,207,274	2,924,289
Less eligible expenditures	178,610	97,751
Balance at March 31, 1986	$3,028,664	$2,826,538

A new loan in the amount of $2,754,000 to be used for the same purpose is to be negotiated to replace the existing one.

8. PART VIII TAXES RECOVERABLE

During 1984, a subsidiary of the Foundation issued and redeemed a debenture meeting the requirements of the Income Tax Act for Scientific Research Tax Credits. The details of the debenture issue are as follows:

Issue proceeds	$10,000,000
Redemption amount	5,020,000
Deferred research and development credit, being net proceeds of issue and redemption	$ 4,980,000

8. PART VIII TAXES RECOVERABLE (continued)

The issue and redemption gave rise to a liability for refundable Part VIII taxes of $5,000,000 which have been paid. These refundable Part VIII taxes are recoverable at any time in the future at the rate of $1 for every $2 of qualified research and development expenditure incurred. During the year, the subsidiary incurred $171,004 of qualified expenditures resulting in a receivable for Part VIII taxes refundable of $85,502. The balance of the refundable Part VIII taxes of $4,914,498 and the related deferred research and development credit are not reflected on the balance sheet and will be recorded in the accounts when additional financing is obtained, qualified expenditures are made and refunds are receivable in the future.

9. CONTINGENCIES AND COMMITMENTS

(a) The Foundation has issued a letter of credit in the amount of $2,000,000 under a guarantee agreement for the construction of a building by a tenant on the Willingdon research park. Should the guarantee be called, the Foundation and the building contractor are required to operate the building as a joint venture for a period not longer than ten years. Prior to the end of this joint venture period, the Foundation is required to buy out the contractor's interest in the building at the accumulated cost to the contractor.

(b) The Foundation has issued letters of credit totalling $53,000 to the Corporation of the District of Burnaby as bonds for compliance with the municipal regulations pertaining to the construction of research parks in Burnaby, B.C.

(c) In 1981 and 1982, the Foundation leased two parcels of land for terms of 75 years each. The leases require minimal rental payments in the first ten years of $2,500 per hectare of land used (estimated 1987 rental is $21,000), and thereafter rental payments are based on the fair market value for rental of the land.

10. SUBSEQUENT EVENT

Effective April 1, 1986, Discovery Foundation entered into a new contract with the Province of British Columbia whereby the activities of the Discovery Enterprise Program will be transferred into a newly incorporated subsidiary of Discovery Foundation, Discovery Enterprises Inc. Discovery Foundation will return all contributions from the province which represent uncommitted funds or undisbursed commitments and will transfer, at cost, all remaining assets of the program to Discovery Enterprises Inc. as contributed surplus. The province will assign all its rights to the program's assets to Discovery Enterprises Inc. and will loan up to $50,000,000 through fiscal year 1991 under the terms of an agreement with Discovery Foundation and Discovery Enterprise Inc. During the 1987 fiscal year, $8,000,000 will be made available. The agreement provides for the future negotiation of interest rates and repayment terms for the loan.

11. COMPARATIVE FIGURES

Certain 1985 comparative figures have been reclassified to conform with the financial statement presentation adopted for 1986. The statement of changes in financial position was presented on a working capital basis in 1985 and has been reclassified to conform with the cash basis of presentation adopted this year.

DISCOVERY FOUNDATION

NET COST OF SUBSIDIZING RENTS FOR HIGH TECHNOLOGY COMPANIES IN THE START-UP PHASE

YEAR ENDED MARCH 31, 1986

SCHEDULE 1

	1986	1985
Operating expenses		
Amortization of prepaid rent	$1,007,987	$ 899,990
Depreciation	152,390	128,211
General operating	612,310	467,185
Property taxes	574,916	548,893
Bad debts	150,810	38,896
	2,498,413	2,083,175
Less rental income	1,778,826	1,426,121
	$ 719,587	$ 657,054

DISCOVERY FOUNDATION

NET COST OF SUPPORT PROVIDED THE B.C. INNOVATION OFFICE

SCHEDULE 2

YEAR ENDED MARCH 31, 1986

	1986	1985
Operating expenses		
Salaries and benefits	$ 93,421	$ 85,462
Consultant studies	69,596	45,395
Office supplies	23,801	33,337
Office rent	13,949	25,930
Travel and public relations	8,773	14,704
Telephone	10,608	9,325
Computer equipment lease	6,306	7,697
Postage and carrier	4,157	7,119
Miscellaneous	3,983	4,090
	234,594	233,059
Less		
Contributed funds from the Province of British Columbia	-	100,000
Fees and seminar income	15,598	-
	15,598	100,000
	$218,996	$133,059

EXPO 86 CORPORATION

Province of British Columbia

Office of the
Auditor General
Province of British Columbia

8 Bastion Square
Victoria
British Columbia
V8V 1X4

AUDITOR'S REPORT

To the Board of Directors of Expo 86 Corporation, and

To the Minister of Tourism
Province of British Columbia

I have examined the statement of financial position of Expo 86 Corporation as at 31 March 1986 and the statements of source and use of cash, deferred installations costs, deferred operating costs by account and by division, and deferred revenues for the year then ended. My examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the corporation as at 31 March 1986 and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Erma Morrison

Erma Morrison, F.C.A.
Auditor General

Victoria, British Columbia
11 April 1986

EXPO 86 CORPORATION
STATEMENT OF FINANCIAL POSITION
MARCH 31, 1986
($000's)

	March 31 1986	March 31 1985
ASSETS AND DEFERRED COSTS		
Cash	3,380	2,979
Accounts Receivable	3,260	817
Deferred Costs		
Installations	320,338	182,337
Property	47,919	39,189
Operating	122,330	45,815
Interest	40,618	14,463
	537,845	285,600
LIABILITIES AND DEFERRED REVENUES		
Accounts Payable and Accrued Liabilities	29,688	22,700
Deferred Revenues	129,330	6,430
Lottery Funds	105,335	53,199
Notes Payable to Province of British Columbia (Note 3)	273,492	203,271
	537,845	285,600

The accompanying notes are an integral part of these financial statements.

Approved By The Board:

Director

Director

EXPO 86 CORPORATION
STATEMENT OF SOURCE AND USE OF CASH
FOR THE YEAR ENDED MARCH 31, 1986
($000's)

	Year Ended March 31 1986	Year Ended March 31 1985	Total To Date
SOURCES OF CASH			
Revenues	122,900	2,521	129,330
Lottery Funds	52,136	24,949	105,335
Notes issued - net	70,221	159,524	273,492
Add cash flow effect of change in working capital items	4,545	19,917	26,428
	249,802	206,911	534,585
USES OF CASH			
Installations	138,001	158,230	320,338
Property	8,730	9,413	47,919
Operating Costs	76,515	23,859	122,330
Interest	26,155	11,844	40,618
	249,401	203,346	531,205
Increase in Cash for the Year	401	3,565	3,380
Balance at Beginning of Year	2,979	(586)	-
Balance at End of Year	3,380	2,979	3,380

EXPO 86 CORPORATION
STATEMENT OF DEFERRED INSTALLATIONS COSTS
FOR THE YEAR ENDED MARCH 31, 1986
($000's)

	Year Ended March 31 1986	Year Ended March 31 1985	Total To Date
B.C. Pavilion	14,045	31,281	46,097
Capital Equipment	1,988	380	2,368
Design Engineering	4,993	9,620	27,343
Expo Centre	2,766	20,376	23,299
Folklife	1,181	1,843	3,024
Food Services	9,530	7,052	16,582
Gates	2,430	2,687	5,117
Indirect Costs	7,175	10,618	21,209
International Pavilions	5,066	17,003	22,953
Landscaping	15,217	1,688	17,095
Merchandising	3,117	1,975	5,092
Piling & Decking	2,188	27,849	32,439
Rides	8,749	2,034	10,783
Signage	727	235	962
Site Completion	2,725		2,725
Site Development		6,331	7,939
Site Exhibits	4,811	142	4,953
Site Services	12,714	3,443	16,157
Support Facilities	1,471	2,804	6,185
Theatres	11,060	2,525	13,585
Theme Pavilions	9,736	2,821	12,596
Transportation	16,312	5,523	21,835
	138,001	158,230	320,338

EXPO 86 CORPORATION
STATEMENT OF DEFERRED OPERATING COSTS - BY ACCOUNT
FOR THE YEAR ENDED MARCH 31, 1986
($000's)

	Year Ended March 31 1986	Year Ended March 31 1985	Total To Date
Advertising	16,893	1,140	18,256
Compensation and Benefits	26,279	9,616	41,007
Insurance	550	530	1,782
Office Expenses	2,893	1,468	6,450
Outside Services	3,235	633	4,940
Professional Services	4,016	3,494	13,475
Promotion	8,809	2,831	14,260
Rentals	6,953	1,913	10,734
Supplies	2,105	25	2,111
Symposia	41	291	640
Talent	1,641	82	1,722
Travel & Business	1,281	941	3,436
Utilities	1,379	561	2,742
Vehicle Expense	440	334	775
TOTAL DEFERRED OPERATING COSTS	76,515	23,859	122,330

EXPO 86 CORPORATION
STATEMENT OF DEFERRED OPERATING COSTS - BY DIVISION
FOR THE YEAR ENDED MARCH 31, 1986
($000's)

	Year Ended March 31 1986	Year Ended March 31 1985	Total To Date
Communications	4,601	2,566	9,626
Corporate Sponsors	1,128	1,387	3,236
Entertainment	4,538	1,042	7,608
Executive	2,819	2,732	7,819
Finance & Administration	17,808	7,759	35,518
Marketing	27,172	3,341	32,645
Operations	15,824	3,756	20,892
Participants	2,625	1,276	4,986
TOTAL DEFERRED OPERATING COSTS	76,515	23,859	122,330

EXPO 86 CORPORATION
STATEMENT OF DEFERRED REVENUES
FOR THE YEAR ENDED MARCH 31, 1986
($000's)

	Year Ended March 31 1986	Year Ended March 31 1985	Total To Date
Admissions	94,936	92	95,028
Corporate Sponsorships	7,192	720	8,713
Food Services and Merchandise	1,796		1,796
Name Entertainment	1,879		1,879
Participants	12,613	803	13,416
World Festival	2,746		2,746
Miscellaneous	1,738	906	5,752
TOTAL DEFERRED REVENUE	122,900	2,521	129,330

EXPO 86 CORPORATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 1986

1. The Corporation - Statutory Requirements

Expo 86 Corporation is a non-profit agent of the Crown incorporated under Revised Statutes of British Columbia 1980 Chapter 59 as amended for the sole purpose of organizing and operating the 1986 World Exposition.

2. Significant Accounting Policies

The Exposition is governed by the rules set out under the Bureau of International Expositions. Under the rules for the theme fair category, both domestic and corporate participants are required to design and supply their own buildings and displays for the Exposition. Consequently, the accounts of Expo 86 Corporation do not include any provisions for expenditures incurred by the Federal and Provincial governments and various Corporations relating to their participation in the Exposition.

As the Corporation has been incorporated for a single purpose, its financial results can best be evaluated in the context of the period from its inception to the closure of the Exposition. The financial statement presentation is designed to provide such information following generally accepted accounting principles. Significant accounting policies adopted are as follows:

a) All revenues and expenditures are being deferred until the operating period which commences May 2, 1986. During operation all revenues and expenditures less residual value will be recognized.

b) The major categories of expenditures for the fair are as follows:

Installation costs reflect expenditures by the Corporation to construct, develop or acquire permanent and temporary facilities, including furnishings, equipment and exhibitry, required for staging the Exposition.

Property costs reflect the cost to the Corporation of obtaining the rights to the use of property required for staging the Exposition. Such properties are carried at the sum of the net payments under the leases or other agreements.

Operating costs comprise the balance of expenditures incurred to plan, develop and stage the Exposition.

EXPO 86 CORPORATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 1986

Note 2 (continued)

c) The Corporation enters into contractual agreements to provide sponsorships, official supplier designations and certain other rights to various parties, in exchange for goods or services provided to the Corporation. Where goods or services received by the Corporation are non-monetary in nature, they are recorded at fair market value as deferred revenues and deferred costs.

3. Notes Payable to Province of British Columbia

The Corporation has a funding agreement with the Province of British Columbia whereby funding required by the Corporation to carry out its day-to-day operations, over and above revenues received from all sources, is provided by the Province of British Columbia up to a maximum of $500 million as approved by Orders-in-Council. Under the funding agreement, short term borrowings are renewed upon maturity, as required by the Corporation.

At March 31, 1986, notes totalling $273.5 million (1985 - $203.3 million) are outstanding with maturity dates ranging from April 1, 1986 to October 15, 1986 and with interest rates varying from 9.05% to 12.16%.

4. Commitments

At March 31, 1986 the Corporation had outstanding commitments under construction contracts, employment contracts, lease agreements for properties, office space and equipment and unfilled purchase orders for approximately $59.3 million (1985 - $112.5 million).

5. Related Party Transactions

a) B.C. Place Ltd.

Under an agreement with B.C. Place Ltd., a British Columbia Crown Corporation, Expo 86 Corporation has acquired the right to the use of certain B.C. Place lands for the consideration of $1 plus cost sharing commitments in the funding of certain site improvements and building structures.

EXPO 86 CORPORATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 1986

Note 5 (continued)

a) B.C. Place Ltd. (continued)

The major transactions involved under this agreement include:

	Cumulative Amounts Paid As at March 31 ($Millions)	
	1986	1985
Contribution for Construction of Seawall	$ 8.5	$ 8.5
Contribution for Construction of B.C. Pavilion	22.8	13.1
Contribution for Construction of Roundhouse	4.9	2.1

The amount due to B.C. Place Ltd. at March 31, 1986 is $975,199 (1985 - $1,901,991). The payable consists primarily of expenditures made by B.C. Place Ltd. on behalf of Expo 86 Corporation.

b) B.C. Pavilion Corporation

	Cumulative Amounts Paid (Received) As at March 31 ($Millions)	
	1986	1985
Contribution toward cost of exhibits	19	19
Rent	(3.8)	-

c) The Province of British Columbia

The Province of British Columbia has committed $250 million of Lotto 6/49 funds to Expo 86 Corporation. At March 31, 1986 lottery contributions to Expo 86 Corporation total $105.3 million. (1985 - $53.2 million)

d) Other Related Parties

In the normal course of its operations, the Corporation acquired goods and services from the Province of British Columbia and certain Crown Corporations, predominantly under prevailing trade terms.

EXPO 86 CORPORATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 1986

6. Contingent Liabilities

The Corporation is contingently liable with respect to current and pending litigation which arose in connection with construction of the Exposition. In the opinion of management, any liability that may arise would not have a material effect on the installations expenditures.

7. Comparative Figures

Certain 1985 amounts have been reclassified where appropriate to conform with the presentation adopted in 1986.

HEALTH FACILITIES ASSOCIATION OF BRITISH COLUMBIA

Province of British Columbia

Office of the
Auditor General
Province of British Columbia

8 Bastion Square
Victoria
British Columbia
V8V 1X4

AUDITOR'S REPORT

To the Chairman and Members of the Board of the
Health Facilities Association of British Columbia, and

To the Minister of Health
Province of British Columbia:

I have examined the balance sheet of the Health Facilities Association of British Columbia as at 31 March 1986 and the statements of revenue, expenditures and surplus and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Association as at 31 March 1986 and the results of its operations and the changes in its financial position for the year then ended in accordance with the accounting principles disclosed in note 2 to the financial statements on a basis consistent with that of the preceding year.

Erma Morrison, F.C.A.
Auditor General

Victoria, British Columbia
20 June 1986

HEALTH FACILITIES ASSOCIATION OF BRITISH COLUMBIA

BALANCE SHEET

AS AT 31 MARCH 1986

ASSETS

	1986	1985
CURRENT ASSETS		
Cash and short-term investments	$ 73,959	$ 2,182,877
Accrued interest	133,800	133,800
	207,759	2,316,677
NON-CURRENT ASSETS		
Grants to hospitals	71,416,336	77,328,529
Mortgage receivable	4,610,210	4,825,317
	76,026,546	82,153,846
	$76,234,305	$84,470,523

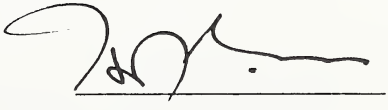
LIABILITIES AND SURPLUS

CURRENT LIABILITIES		
Grants payable	$ 447,161	$ 363,648
Accrued interest	2,590,381	2,726,686
Current obligations on debentures	6,489,987	6,326,334
	9,527,529	9,416,668
LONG-TERM DEBT		
Debentures (note 3)	90,604,897	91,807,624
Less sinking funds on deposit (note 4)	24,468,148	17,187,472
	66,136,749	74,620,152
Total liabilities	75,664,278	84,036,820
SURPLUS	570,027	433,703
	$76,234,305	$84,470,523

The accompanying notes are an integral part of these financial statements

APPROVED BY THE BOARD





HEALTH FACILITIES ASSOCIATION OF BRITISH COLUMBIA

STATEMENT OF REVENUE, EXPENDITURES AND SURPLUS

FOR THE YEAR ENDED 31 MARCH 1986

	1986	1985
REVENUE		
Grants from the Province of British Columbia	$17,988,445	$17,534,090
Interest on mortgage receivable	630,362	629,005
Interest on sinking fund investments	1,915,558	1,281,473
	20,534,365	19,444,568
EXPENDITURES		
Interest on debentures	12,293,395	12,107,994
Amortization of grants to hospitals	8,104,646	7,263,619
Trust management fees	-	5,051
Miscellaneous expenses	-	529
	20,398,041	19,377,193
EXCESS OF REVENUE OVER EXPENDITURES	136,324	67,375
SURPLUS AT BEGINNING OF YEAR	433,703	366,328
SURPLUS AT END OF YEAR	$ 570,027	$ 433,703

HEALTH FACILITIES ASSOCIATION OF BRITISH COLUMBIA

STATEMENT OF CHANGES IN FINANCIAL POSITION

FOR THE YEAR ENDED 31 MARCH 1986

	1986	1985
FUNDS PROVIDED BY		
Operations		
Excess of revenue over expenditures	$ 136,324	$ 67,375
Add: Amortization of grants to hospitals	8,104,646	7,263,619
	8,240,970	7,330,994
Issue of debentures	-	3,000,000
Reduction of mortgage receivable	215,107	221,353
	8,456,077	10,552,347
FUNDS APPLIED TO		
Grants to hospitals	2,192,453	10,615,109
Contributions to sinking funds and repayment of debt	8,319,749	7,484,973
Increase in current obligations on debentures	163,653	206,941
	10,675,855	18,307,023
DECREASE IN WORKING CAPITAL	(2,219,778)	(7,754,676)
WORKING CAPITAL (DEFICIENCY) AT BEGINNING OF YEAR	(7,099,992)	654,684
WORKING CAPITAL DEFICIENCY AT END OF YEAR	$(9,319,770)	$(7,099,992)

HEALTH FACILITIES ASSOCIATION OF BRITISH COLUMBIA

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 1986

1. Nature of the Association

Health Facilities Association of British Columbia was incorporated under the Society Act on 15 October 1975. The Association raises capital through the issuance of debentures to the British Columbia Regional Hospital Districts Financing Authority to assist in financing the capital costs of hospital projects, medical and health facilities, and community human resources and health centres in the Province of British Columbia. Costs of servicing the debentures are paid through grants received from the Province of British Columbia.

2. Significant Accounting Policies

a) Grant payments to hospitals financed by debenture proceeds are recorded as a non-current asset when approved for payment by the Ministry of Health. This asset is then amortized by an amount equivalent to contributions to the sinking funds, interest on sinking fund investments and reductions of debenture principal.

b) Grants from the Province of British Columbia are recorded when paid by the Province.

c) Short-term investments owned by the Association are managed by the Provincial Treasury. Interest earned on these short-term investments accrues to the Province of British Columbia net of management and administrative fees charged by the Ministry of Finance. Therefore interest from short-term investments is not recorded by the Association.

HEALTH FACILITIES ASSOCIATION OF BRITISH COLUMBIA

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 1986

3. Debentures

Debentures issued to the British Columbia Regional Hospital Districts Financing Authority:

	1986	1985
Series LA 15.75% due 31 May 1987	$ 2,594,884	$ 3,633,958
Series LB 13.60% due 5 October 1987	10,000,000	10,000,000
Series RHA 11.375% due 31 March 1988	12,000,000	12,000,000
Series JD 8.95% due 10 December 1995	1,500,000	1,500,000
Series JF 9.03% due 9 April 1996	5,000,000	5,000,000
Series JG 9.04% due 7 May 1996	3,000,000	3,000,000
Series KB 10.00% due 13 September 1996	2,000,000	2,000,000
Series KO 10.49% due 10 October 1999	5,000,000	5,000,000
Series KR 12.74% due 10 March 2000	10,000,000	10,000,000
Series K3 13.13% due 10 March 2001	10,000,000	10,000,000
Series K4 13.66% due 10 April 2001	2,000,000	2,000,000
Series K12 15.93% due 10 December 2001	3,000,000	3,000,000
Series K14 15.50% due 10 February 2002	3,500,000	3,500,000
Series K15 16.10% due 10 March 2002	4,500,000	4,500,000
Series K16 15.12% due 8 April 2002	4,000,000	4,000,000
Series K21 13.43% due 10 November 2002	4,000,000	4,000,000
Series K28 11.37% due 4 April 2003	4,000,000	4,000,000
Series K33 11.79% due 1 December 2003	3,000,000	3,000,000
Series K34 12.13% due 1 March 2004	5,000,000	5,000,000
Series K41 12.96% due 2 November 2004	3,000,000	3,000,000
	97,094,884	98,133,958
Less: Current obligations on debentures	6,489,987	6,326,334
	$90,604,897	$91,807,624

HEALTH FACILITIES ASSOCIATION OF BRITISH COLUMBIA

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 1986

3. Debentures - (continued)

Sinking fund debentures series JF, JG, K3, K4, K12, K14, K15, K16, K21, K28, K33, K41 are redeemable in whole or in part before maturity at the option of the Chairman of the British Columbia Regional Hospital Districts Financing Authority upon five months written notice.

Obligations on debentures required over the next five years are as follows:

1987	6,489,988
1988	6,679,417
1989	1,683,726
1990	1,683,726
1991	1,683,726

4. Sinking Funds on Deposit

	1986	1985
Investments	$23,925,311	$16,837,125
Accrued Interest	542,837	350,347
	$24,468,148	$17,187,472

5. Commitments

Commitments outstanding as at 31 March 1986 aggregated approximately $800,000 (1985 - $1,000,000) for approved projects.

6. Comparative Figures

Certain 1985 comparative figures have been reclassified to conform with the financial statement presentation adopted for 1986.

HOUSING CORPORATION OF BRITISH COLUMBIA

Coopers & Lybrand | chartered accountants | a member firm of Coopers & Lybrand (International)

AUDITORS' REPORT

THE LIEUTENANT-GOVERNOR IN COUNCIL
PROVINCE OF BRITISH COLUMBIA

We have examined the consolidated balance sheet of the Housing Corporation of British Columbia as at October 31, 1985 and the consolidated statements of loss and retained earnings and source and use of cash for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Corporation as at October 31, 1985 and the results of its operations and the source and use of its cash for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Coopers & Lybrand

Vancouver, B.C.
June 24, 1986

HOUSING CORPORATION OF BRITISH COLUMBIA

CONSOLIDATED BALANCE SHEET AS AT OCTOBER 31, 1985

	1985	1984
	(thousand dollars)	
A S S E T S		
CASH AND BANK TERM DEPOSITS	3,617	3,434
ACCRUED INTEREST RECEIVABLE	24	30
MORTGAGES RECEIVABLE (note 3)		1,479
ORGANIZATION COST	1	1
	3,642	4,944
L I A B I L I T I E S		
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	10	9
PAYABLE TO THE PROVINCE OF BRITISH COLUMBIA		130
DEFERRED REVENUE		6
	10	145
S H A R E H O L D E R ' S E Q U I T Y		
SHARE CAPITAL (note 5)	1,902	1,902
RETAINED EARNINGS	1,730	2,897
	3,632	4,799
	3,642	4,944

APPROVED BY THE DIRECTORS

Director

Director

Coopers & Lybrand

HOUSING CORPORATION OF BRITISH COLUMBIA

CONSOLIDATED STATEMENT OF LOSS AND RETAINED EARNINGS

FOR THE YEAR ENDED OCTOBER 31, 1985

	1985	1984
	(thousand dollars)	
REVENUE		
Interest - term deposits	304	281
- mortgages receivable	19	160
	323	441
LOSS ON TRANSFER OF LAND		66
WRITE-DOWN OF MORTGAGES RECEIVABLE (note 3)	1,471	
EXPENSES		
Administration expenses	19	23
NET EARNINGS (LOSS) FOR THE YEAR	(1,167)	352
RETAINED EARNINGS - BEGINNING OF YEAR	2,897	2,545
RETAINED EARNINGS - END OF YEAR	1,730	2,897

Coopers &Lybrand

HOUSING CORPORATION OF BRITISH COLUMBIA

CONSOLIDATED STATEMENT OF SOURCE AND USE OF CASH

FOR THE YEAR ENDED OCTOBER 31, 1985

	1985	1984
	(thousand dollars)	
SOURCE OF CASH		
From operations	304	418
Decrease in receivables	6	12
Decrease in mortgages receivable	2	
Increase in payable to the Province of British Columbia		124
Increase in accounts payable and accrued liabilities	1	
	313	554
USE OF CASH		
Increase in mortgages receivable		55
Repayment to the Province of British Columbia	130	
Decrease in accounts payable and accrued liabilities		4
Decrease in deferred revenue		19
	130	78
INCREASE IN CASH	183	476
BANK TERM DEPOSITS - BEGINNING OF YEAR	3,434	2,958
BANK TERM DEPOSITS - END OF YEAR	3,617	3,434

Coopers & Lybrand

HOUSING CORPORATION OF BRITISH COLUMBIA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED OCTOBER 31, 1985

1. WINDING-UP OF THE OPERATIONS OF THE CORPORATION

Pursuant to a directive dated September 29, 1978, issued by the Ministry of Municipal Affairs and Housing, Province of British Columbia, the operations of the Corporation are being wound up. A total of $12 million of dividends has been declared to date, of which $3 million was paid in the fiscal year ended October 31, 1982, $5 million in the fiscal year ended October 31, 1981 and $4 million in the fiscal year ended October 31, 1980.

2. SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of the Housing Corporation of British Columbia and the wholly-owned subsidiaries, Dunhill Development Corporation and HCBC Construction Ltd.

Consideration for Sales

Where collectibility of the outstanding balance of a mortgage is in doubt and the appraised value of the security is less than the carrying value, the carrying value is written down to the appraised value.

3. MORTGAGES RECEIVABLE

	$
Second and third mortgage receivable	1,471
Less: Write-down to appraised value of security	1,471
	Nil

The mortgagee defaulted on mortgage payments due during the year. As the current appraisal value of the security is insufficient to discharge the first mortgage, the Corporation's mortgages receivable have been fully written down. The corporation is in the process of negotiating a new payment schedule for these mortgages.

HOUSING CORPORATION OF BRITISH COLUMBIA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED OCTOBER 31, 1985

4. INCOME TAXES

All of the issued shares of the Corporation are owned by the Province of British Columbia and therefore the Corporation is not subject to federal or provincial income taxes.

5. SHARE CAPITAL

	1985	1984
	(thousand dollars)	
Authorized -		
2,000,000 common shares of no par value		
Issued and fully paid -		
1,355,084 shares	1,902	1,902

6. CONTINGENT LIABILITY

The Corporation is contingently liable for certain mortgages assumed by purchasers of housing units sold by the Corporation.

INSURANCE CORPORATION OF BRITISH COLUMBIA

Insurance (Motor Vehicle) Act Fund
Statement of Operations

Year Ended December 31, 1985

	1985	1984
	($ Thousands)	
Revenue		
Vehicle premiums written	$744,662	$713,295
Driver premiums written	16,203	20,994
	760,865	734,289
Vehicle premiums earned	723,445	693,456
Driver premiums earned	18,927	21,798
	742,372	715,254
Claim costs		
Claims incurred	653,883	660,353
Claim operations expense	64,908	63,130
	718,791	723,483
Expenses		
Administrative	57,678	62,550
Commissions	50,726	47,689
	108,404	110,239
Total claims and expenses	827,195	833,722
Underwriting loss	84,823	118,468
Investment income (Note 6)	158,385	128,032
Income for the year	73,562	9,564
Unappropriated surplus – beginning of year, as restated (Note 6)	17,328	7,764
Appropriation to:		
Catastrophe Reserve (Note 7)	(20,000)	–
Rate Stabilization Reserve (Note 7)	(60,000)	–
Unappropriated surplus – end of year	$ 10,890	$ 17,328

Balance Sheet

As At December 31, 1985

	1985	1984
	($ Thousands)	
ASSETS		
Cash in hands of agents	$ 3,571	$ 1,496
Investments (Note 3)	1,359,802	1,125,965
Accrued interest receivable	38,962	29,843
Accounts receivable	21,634	25,155
Deferred premium acquisition expenses	22,290	17,830
Property and equipment (Note 4)	83,246	89,284

Approved by the Board:

Director:

Director:

	$1,529,505	$1,289,573

	1985	1984
	($ Thousands)	
LIABILITIES		
Cheques outstanding	$ 9,203	$ 5,596
Accounts payable and accrued charges	17,599	23,030
Due to Motor Vehicle Department	4,294	1,186
Due to the Province of British Columbia (Note 5)	8,694	–
Deferred investment gains and losses (Note 6)	8,848	5,078
Premiums in advance	21,542	18,181
Unearned premiums	277,477	258,984
Unpaid claims	1,090,958	951,812
	1,438,615	1,263,867
INSURANCE (MOTOR VEHICLE) ACT FUND SURPLUS		
Catastrophe Reserve (Note 7)	20,000	–
Rate Stabilization Reserve (Note 7)	60,000	–
Unappropriated	10,890	17,328
	90,890	17,328
RETAINED EARNINGS (Note 5)	–	8,378
	$1,529,505	$1,289,573

Statement of Changes in Financial Position

Year Ended December 31, 1985

	1985	1984
	($ Thousands)	
Operating Activities		
Cash received from:		
Agents for vehicle and driver premiums, licence fees and social service taxes	$ 947,117	$ 898,650
Investment income	152,864	130,314
Collections	37,197	68,843
Salvage sales	13,319	12,765
All other sources	1,233	–
	$1,151,730	$1,110,572
Cash paid to:		
Claimants or third parties on behalf of claimants	$ 544,571	$ 520,290
Province of British Columbia for licence fees and social service taxes collected	134,331	133,160
Suppliers of goods and services	72,274	67,213
Employees for salaries and benefits	69,037	71,181
Agents for commissions	54,514	51,915
Policyholders for premium refunds	44,698	40,563
All others	–	9,304
	$ 919,425	$ 893,626
Net increase in cash and investments from operating activities	$ 232,305	$ 216,946
Other Activities		
Proceeds from sale of general insurance operations	–	9,000
Change in cash and investments during the year	232,305	225,946
Cash and Investments – beginning of year	1,121,865	895,919
Cash and Investments – end of year	$1,354,170	$1,121,865
Represented by:		
Cash in hands of agents	3,571	1,496
Investments	1,359,802	1,125,965
Cheques outstanding	(9,203)	(5,596)
	$1,354,170	$1,121,865

Notes to Financial Statements

December 31, 1985

1. STATUS OF THE CORPORATION

The Insurance Corporation of British Columbia (the Corporation) is a Crown corporation incorporated under the Insurance Corporation Act, R.S.B.C. Chapter 201. The Corporation has the power and capacity to act as an insurer and reinsurer in all classes of insurance. The Corporation also operates and administers the Insurance (Motor Vehicle) Act Fund.

The revenues and expenses attributable to the operations of this Fund are required, by legislation, to be reported separately from other operations of the Corporation, if any.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Reporting
The Insurance Corporation Act requires the financial statements of the Corporation to be in accordance with generally accepted accounting principles, the more significant of which are noted below.

Investments and Investment Income
Investments are carried at amortized cost. Premiums or discounts on bond purchases are deferred and amortized over the term to maturity of each bond.

Income on interest bearing securities is accrued on a daily basis. Gains and losses on sales and securities are deferred and amortized over the shorter of the term to maturity of the security sold and 60 months.

Deferred Premium Acquisition Costs
Commissions are expensed over the terms of the insurance policies to which they relate.

Depreciation and Amortization
Depreciation is provided on a straight-line basis commencing in the month following that in which assets are placed in service, at rates which will depreciate the original cost over the useful life of each asset. Leasehold improvements are amortized over the term of each lease plus the first renewal period where appropriate.

Unearned Premiums
Unearned premiums is that portion of premiums that relates to the unexpired term of each vehicle policy or driver's point penalty premium.

Unpaid Claims
Unpaid claims includes a provision for reported and unpaid claims and related expenses, based on the claim settlement experience of the Corporation, current trends and a detailed review of claim files. Also included is an estimate for unreported claims.

Prior Year's Figures
Certain of the prior year's figures have been reclassified to conform with the current year's presentation.

3. INVESTMENTS

	Dec. 31, 1985		Dec. 31, 1984	
	Cost	Market	Cost	Market
	($ Thousands)			
Short-term deposit receipts, call loans and notes	$ 148,423	$ 148,423	$ 181,146	$ 181,146
Bonds	1,211,379	1,324,265	944,819	948,139
	$1,359,802	$1,472,688	$1,125,965	$1,129,285

4. PROPERTY AND EQUIPMENT

	Dec. 31, 1985			Dec. 31, 1984
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
		($ Thousands)		
Land	$ 13,558	$ –	$13,558	$14,286
Buildings	72,828	20,238	52,590	55,924
Furniture and equipment	31,536	14,731	16,805	11,368
Computers under capital lease	–	–	–	7,474
Leasehold improvements	843	550	293	232
	$118,765	$35,519	$83,246	$89,284

Depreciation has been charged at the following rates – buildings 5-10%; furniture and equipment 10-50%.

Depreciation expense for the year ended December 31, 1985 amounted to $10,349,000 (1984 – $9,696,000).

5. DUE TO THE PROVINCE OF BRITISH COLUMBIA

The general insurance operations of the Corporation were discontinued at the end of 1984 and the assets and liabilities were transferred to a subsidiary company which was sold February 18, 1985. Retained earnings at December 31, 1984 reflect the result of this sale.

During the year the Corporation earned $316,000 on funds associated with its former general insurance operations which resulted in retained earnings of $8,694,000 before distribution.

Subsequent to December 31, 1985 the Corporation has been directed by Order in Council to pay the retained earnings of $8,694,000 to the Province of British Columbia and has reflected this amount as a liability as at December 31, 1985 in accordance with the requirements of the Insurance Corporation Act.

6. CHANGE IN ACCOUNTING POLICY

During the year the Corporation changed its method of accounting for gains and losses on sales of securities. Previously such gains and losses were fully recognized in income as they occurred, whereas they are now deferred and amortized over the shorter of the term to maturity of the security sold and 60 months.

As a result of this change, which has been applied retroactively, the balance of the unappropriated surplus at January 1, 1985 has been reduced by $5,078,000 representing the cumulative amount of the gains and losses deferred to that date. The income for 1984 has been reduced by $298,000. The remaining $4,780,000 is applicable to years prior to January 1, 1984 and the balance of unappropriated surplus at that date has been restated accordingly.

Had the Corporation not made this change in accounting policy its investment income for the year would have increased by $3,770,000.

7. INSURANCE (MOTOR VEHICLE) ACT FUND SURPLUS

During the year the Corporation appropriated, from the Insurance (Motor Vehicle) Act Fund surplus, $20 million to a catastrophe reserve and $60 million to a rate stabilization reserve. The catastrophe reserve has been established, in accordance with industry practice, to provide financial and reinsurance stability. The rate stabilization reserve has been established to lessen the impact on premiums arising from significant variations in claims loss experience in future years.

8. REINSURANCE

The Corporation underwrites and reinsures policies of insurance which, in the main, limit the liability of the Corporation to the maximum amount on any one loss of $2,200,000. In addition the Corporation has obtained reinsurance providing coverage to $80,000,000 which limits the Corporation's liability to $2,500,000 in the event of a series of claims arising out of a single occurrence. These reinsurance arrangements do not discharge the Corporation's obligation as primary insurer.

9. PENSION PLANS

Certain employees participate in contributory pension plans and are entitled to vested benefits prior to retirement.

Employees contribute a specified percentage of salaries to the Fund. The Corporation contributes all amounts as actuarially determined, over and above employee contributions, to fund the benefits earned by employees under the plans.

The Fund is subject to an actuarial evaluation at least once in every three years. The most recent evaluation, effective December 31, 1985, determined the plans to be adequately funded.

Contributions by the Corporation for the year ended December 31, 1985 were $2,929,000 (1984 – $3,429,000).

10. RELATED PARTY TRANSACTIONS

The Corporation is the sole provider of compulsory automobile insurance in British Columbia and, therefore, insures vehicles owned or leased by the government of the province and its controlled entities. The Corporation also acts as agent for the Motor Vehicle Department regarding the collection of motor vehicle licence fees and the Ministry of Consumer and Corporate Affairs regarding the collection of the social service taxes on privately sold used vehicles.

Auditors' Report

The Honourable James A. Nielsen
Minister of Human Resources
Province of British Columbia

We have examined the balance sheet of the Insurance Corporation of British Columbia as at December 31, 1985 and the statements of operations of the Insurance (Motor Vehicle) Act Fund and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Corporation as at December 31, 1985 and the results of its operations of the Insurance (Motor Vehicle) Act Fund and the changes in financial position for the year then ended in accordance with generally accepted accounting principles applied, after giving retroactive effect to the change in the method of accounting for realized gains and losses on sales of securities as explained in Note 6 to the financial statements, on a basis consistent with that of the preceding year.

Touche Ross & Co.

CHARTERED ACCOUNTANTS
Vancouver, British Columbia
February 24, 1986

KNOWLEDGE NETWORK OF THE WEST COMMUNICATIONS AUTHORITY

Province of British Columbia

Office of the
Auditor General
Province of British Columbia

8 Bastion Square
Victoria
British Columbia
V8V 1X4

AUDITOR'S REPORT

To the Chairman and Members of the Board of the
Knowledge Network of the West Communications Authority, and

To the Minister of Post-Secondary Education
Province of British Columbia:

I have examined the consolidated balance sheet of Knowledge Network of the West Communications Authority as at 31 March 1986 and the consolidated statements of revenue, expenditure and surplus, and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these consolidated financial statements present fairly the financial position of the Authority as at 31 March 1986 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Erma Morrison

Erma Morrison, F.C.A.
Auditor General

Victoria, British Columbia
13 May 1986

KNOWLEDGE NETWORK OF THE WEST COMMUNICATIONS AUTHORITY

CONSOLIDATED BALANCE SHEET

as at 31 March 1986

ASSETS	1986	1985
Current assets		
Cash and short-term deposits	$ 479,875	$ 609,488
Accounts receivable	56,873	54,528
Interest receivable	1,593	1,621
Prepaid expenses	11,524	10,000
	549,865	675,637
Investment and advances (Note 3)	1,562,477	1,772,416
Fixed assets (Note 4)	1,401,578	1,452,340
	$3,513,920	$3,900,393
LIABILITIES AND SURPLUS		
Current liabilities		
Accounts payable and accrued liabilities	$ 364,579	$ 88,994
Current portion of deferred user fees	18,720	8,320
	383,299	97,314
Deferred user fees	24,960	33,280
	408,259	130,594
Surplus	3,105,661	3,769,799
	$3,513,920	$3,900,393
Agency funds (Notes 5 and 8)	$ 268,140	$ 29,800

The accompanying notes are an integral part of these financial statements.

Approved by the Board

Walter G. Hardwick
Director

Director

KNOWLEDGE NETWORK OF THE WEST COMMUNICATIONS AUTHORITY

CONSOLIDATED STATEMENT OF REVENUE, EXPENDITURE AND SURPLUS

For the year ended 31 March 1986

REVENUE	1986	1985
Grants - Province of British Columbia	$3,709,516	$3,352,112
User fees (Note 6)	98,565	99,163
Interest	38,237	72,709
Other	20,522	10,536
	3,866,840	3,534,520
EXPENDITURE		
Administration	1,024,301	838,197
Learning systems	220,169	200,146
Network operations	873,959	954,115
Open University Consortium	10,000	42,130
Public affairs	301,976	324,497
Research and development	--	4,067
Satellite	1,065,871	1,055,356
	3,496,276	3,418,508
Excess of revenue over expenditure before depreciation and amortization	370,564	116,012
Depreciation and amortization	748,685	667,094
Excess of expenditure over revenue in Authority	378,121	551,082
Share of deficit in joint venture	286,017	288,363
EXCESS OF EXPENDITURE OVER REVENUE	664,138	839,445
SURPLUS, BEGINNING OF YEAR	3,769,799	4,609,244
SURPLUS, END OF YEAR	$3,105,661	$3,769,799

KNOWLEDGE NETWORK OF THE WEST COMMUNICATIONS AUTHORITY

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

For the year ended 31 March 1986

SOURCES (USES) OF CASH	1986	1985
CASH FROM OPERATIONS		
Excess of expenditure over revenue	$ (664,138)	$ (839,445)
Items not involving cash:		
Depreciation and amortization	748,685	667,094
Share of deficit in joint venture	286,017	288,363
Gain on disposal of fixed assets	(5,500)	--
Write-down of investment	1,545	--
Cash generated from operations before changes in operating working capital	366,609	116,012
Changes in operating working capital:		
Accounts receivable	(2,345)	(45,715)
Grants receivable	--	214,598
Interest receivable	28	2,005
Prepaid expenses	(1,524)	89,139
Accounts payable and accrued liabilities	275,585	(80,120)
Holdback payable	--	(7,058)
Current portion of deferred user fees	10,400	8,320
Cash provided by operating activities	648,753	297,181
FINANCIAL ACTIVITIES		
Deferred user fees	(8,320)	33,280
INVESTMENT ACTIVITIES		
Fixed asset additions	(697,923)	(627,891)
Proceeds from sale of fixed assets	5,500	3,500
Investment in joint venture	(77,623)	(95,038)
Advance to Discovery Satellite Network Incorporated	--	(224)
Investment in Pacific Economic Review Institute Society	--	(1,716)
Cash used in investment activities	(770,046)	(721,369)
(DECREASE) IN CASH	(129,613)	(390,908)
CASH, BEGINNING OF YEAR	609,488	1,000,396
CASH, END OF YEAR	$ 479,875	$ 609,488

KNOWLEDGE NETWORK OF THE WEST COMMUNICATIONS AUTHORITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 1986

1. Nature of the Authority

The Authority was incorporated on 29 May 1980, under the provisions of the Society Act of British Columbia. The objects of the Authority are to assist and collaborate with universities, colleges, provincial institutes, school districts, ministries and agencies of the Province of British Columbia in the development and delivery of educational programs and materials, and to establish, maintain and operate a telecommunication network.

2. Significant accounting policies

a) Principles of consolidation

The accounts of the Authority are consolidated with those of its wholly-owned subsidiary Knowledge-West Communications Corporation. All inter-company transactions have been eliminated in these consolidated financial statements.

The investment by Knowledge-West Communications Corporation in a joint venture, Knowledge West Partnership, has been accounted for in these financial statements on an equity basis.

b) Depreciation and amortization

The Authority records fixed assets at cost and depreciates or amortizes them using the straight line method over their estimated useful life as follows:

Furniture and equipment	Over ten years
Earth stations	Over five years
Network equipment	Over five years
Programs	Over five years
Tapes	Over five years
Leasehold improvements	Term of lease
License agreements	Life of the respective agreement

KNOWLEDGE NETWORK OF THE WEST COMMUNICATIONS AUTHORITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 1986

3. Investment and advances

a) Details of the investment in a joint venture, Knowledge West Partnership, accounted for on an equity basis are as follows:

	1986	1985
Advances	2,178,740	2,101,117
Accumulated deficit	(632,443)	(346,426)
	$1,546,297	$1,754,691

b) Advance to Discovery Satellite Network Incorporated — 16,009 — 16,009

c) Investment in Pacific Economic Review Institute Society — 171 — 1,716

$1,562,477 — $1,772,416

Summary financial information relating to the proportionate share of the joint venture is as follows:

	1986	1985
Current assets	$ 4,766	$ 5,987
Fixed assets	1,556,680	1,748,704
	1,561,446	1,754,691
Current liabilities	15,149	--
Equity	$1,546,297	$1,754,691
Expenditures	$ 90,794	$ 93,340
Depreciation	195,223	195,023
	$ 286,017	$ 288,363

KNOWLEDGE NETWORK OF THE WEST COMMUNICATIONS AUTHORITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 1986

4. Fixed assets

	Cost	Accumulated depreciation/ amortization	1986 Net book value	1985 Net book value
Furniture & equipment	$ 338,483	$ 107,075	$ 231,408	$ 241,269
Earth stations	84,131	84,130	1	1,192
Network equipment	1,431,714	1,104,800	326,914	578,614
Programs	124,595	60,321	64,274	52,073
Tapes	269,300	166,660	102,640	117,371
Leasehold improvements	210,007	202,782	7,225	51,133
Licence Agreements	1,103,374	434,258	669,116	410,688
	$3,561,604	$2,160,026	$1,401,578	$1,452,340

Licence agreements with cost and accumulated amortization of $361,835 (1985 - $36,880) expired during the year, and have been eliminated from the accounts. Amortization charged in the year in respect of such agreements amounted to $194,308 (1985 - $167,527).

5. Agency funds

Funds are held by the subsidiary company, Knowledge-West Communications Corporation, under an agreement to provide accounting services for the Faculty of Medicine, University of British Columbia.

6. User Fees

During the year, a College was given access to Network studio facilities at no cost. The demonstration programs that resulted are being used to encourage other colleges to utilize the Network. Revenue of $26,000 (1985 - $10,000) would have been earned had the Authority charged for these programs.

KNOWLEDGE NETWORK OF THE WEST COMMUNICATIONS AUTHORITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 1986

7. Contingency and commitments

a) At 31 March 1986, the Authority has outstanding commitments of $12,905 (1985 - $59,672) for approved projects and programs.

b) The minimum annual contractual obligations of operating leases are as follows:

1987	$28,000
1988	11,200
1989	7,800
1990	2,400
1991	--

c) A claim has been filed against the Authority in the amount of $108,000 by a former employee. The amount of the settlement is not reasonably estimable, and depends on the outcome of the action. A provision has been made in the accounts of the authority at 31 March 1986, which management believes will be adequate to offset any liability arising on the resolution of the matter.

8. Subsequent Events

a) The disbursement of the agency funds has been the subject of ongoing negotiations as at the date of the auditor's report.

b) During the 1986 spring session of the British Columbia Legislature, the Government introduced the Open Learning Authority Act (Bill 31). The Act received first reading on 29 May 1986, but will only become law if or when it receives second and third readings. It will come into force by regulation of the Lieutenant Governor in Council. The Act provides for dissolution of the Knowledge Network of the West Communications Authority and the Open Learning Institute, and the transfer of all property, rights, debts and obligations to the Open Learning Authority. The date of dissolution may be set by order of the Lieutenant Governor in Council.

9. Comparative figures

Certain 1985 figures have been restated in order to conform with financial statement presentation adopted in 1986.

LEGAL SERVICES SOCIETY

Province of
British Columbia

Office of the
Auditor General
Province of British Columbia

8 Bastion Square
Victoria
British Columbia
V8V 1X4

AUDITOR'S REPORT

To the Chairman and Members of the
Legal Services Society, and

To the Attorney-General,
Province of British Columbia

I have examined the balance sheet of the Legal Services Society as at 31 March 1986 and the statement of income, expenditures and surplus for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Society as at 31 March 1986 and the results of its operations for the year then ended in accordance with the accounting policies set out in note 2 to the financial statements, applied on a basis consistent with that of the preceding year.

Erma Morrison

Erma Morrison, F.C.A.
Auditor General

Victoria, British Columbia
5 June 1986

LEGAL SERVICES SOCIETY
BALANCE SHEET
AS AT MARCH 31, 1986

ASSETS	1986	1985
Cash and term deposit	$1,043,236	$ 826,450
Accounts receivable	107,911	24,895
Due from the Province of British Columbia	800,000	420,000
Grants recoverable	1,549	3,126
Prepaid expenses	60,600	60,727
	$2,013,296	$1,335,198
LIABILITIES		
Accounts payable - general	$ 306,117	$ 146,448
- tariff	1,932,432	988,041
Professional staff benefit plan	226,824	187,515
Deferred income (note 3)	518,763	-
	2,984,136	1,322,004
SURPLUS <DEFICIT>	< 970,840>	13,194
	$2,013,296	$1,335,198

The accompanying notes are an integral part of these financial statements.

Approved by the Board:

L. Doust
Chairman

L. Hollstedt
Vice-Chairman

LEGAL SERVICES SOCIETY
STATEMENT OF INCOME, EXPENDITURES AND SURPLUS
FOR THE YEAR ENDED MARCH 31, 1986

INCOME	1986	1985
GRANTS		
Province of British Columbia	$14,223,674	$15,920,000
Law Foundation - regular	3,000,000	2,000,000
- supplement (note 3)	81,237	-
	17,304,911	17,920,000
OTHER INCOME		
Interest	178,067	166,943
Legal costs recovered from clients	97,427	133,569
Publications	14,243	16,571
Miscellaneous	3,004	5,255
	292,741	322,338
	17,597,652	18,242,338
EXPENDITURES		
Area directors	82,718	62,224
Board expenses	27,071	45,808
Computer	86,602	90,081
Duty counsel	589,413	494,123
Grants and contracted services	2,141,209	2,034,525
Libraries	92,728	86,361
Miscellaneous	91,127	68,243
Office	461,146	400,261
Premises	441,901	486,737
Publications	96,737	73,793
Salaries and benefits	4,472,333	4,324,020
Tariffs	9,575,605	8,232,606
Transcripts	258,874	-
Travel	164,222	165,638
	18,581,686	16,564,420
EXCESS <DEFICIENCY> OF INCOME OVER EXPENDITURES FOR THE YEAR	< 984,034>	1,677,918
SURPLUS <DEFICIT> AT BEGINNING OF YEAR	13,194	<1,664,724>
SURPLUS <DEFICIT> AT END OF YEAR	$< 970,840>	$ 13,194

LEGAL SERVICES SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 1986

1. Organizational objectives

Under the Legal Services Society Act the objects of the Society are to ensure that:

(a) services ordinarily provided by a lawyer are afforded to individuals who would not otherwise receive them because of financial or other reasons; and
(b) education, advice and information about law are provided for the people of British Columbia.

2. Significant accounting policies

These financial statements have been prepared in accordance with generally accepted accounting principles except that property and equipment are recorded as operating expenditures at the time of acquisition.

3. Deferred income

As a restraint measure, the Society reduced tariff fees by 12.5% on all referrals made after September 30, 1982.

The Law Foundation has given the Society a grant of $600,000 that is to be used solely to eliminate the 12.5% tariff fee reduction on referrals made over a period of about six months, starting January 1, 1986. The grant is being taken into revenue only to the extent that monies are expended on elimination of the 12.5% tariff fee reduction. The balance unexpended at March 31, 1986 is being shown as a deferred liability on the balance sheet.

4. Commitments

(a) The Society has commitments under long-term operating leases for the following:

	OFFICE PREMISES	COMPUTER EQUIPMENT	TOTAL
1987	$ 194,879	$ 59,029	$ 253,908
1988	83,550	55,302	138,852
1989	59,515	20,606	80,121
1990	9,481	-	9,481
1991	-	-	-
	$ 347,425	$ 134,937	$ 482,362

(b) The Society estimates that the total cost of authorized legal work which has been neither completed nor billed as at March 31, 1986 will amount to $4.9 million (1985 - $3.7 million)

MEDICAL SERVICES COMMISSION OF BRITISH COLUMBIA

Province of British Columbia

Office of the
Auditor General
Province of British Columbia

8 Bastion Square
Victoria
British Columbia
V8V 1X4

AUDITOR'S REPORT

To the Chairman of the
Medical Services Commission of British Columbia, and

To the Minister of Health
Province of British Columbia:

I have examined the balance sheet of the Medical Services Commission of British Columbia as at 31 March 1986 and the statement of operations for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Commission as at 31 March 1986 and the results of its operations for the year then ended in accordance with the accounting principles described in note 2, applied on a basis consistent with that of the preceding year.

Erma Morrison

Erma Morrison, F.C.A.
Auditor General

Victoria, British Columbia
27 June 1986

MEDICAL SERVICES COMMISSION OF BRITISH COLUMBIA

BALANCE SHEET

AS AT 31 MARCH 1986

ASSETS

	1986	1985
Cash	$ 9,699,094	$ 5,107,056
Accounts receivable	3,880,208	1,827,826
Due from the Province of British Columbia	133,777,873	146,207,826
	$147,357,175	$153,142,708

LIABILITIES

Accounts payable	$ 4,098,229	$ 3,407,187
Premiums received in advance	47,267,708	47,436,787
Estimated liability for unpresented and unprocessed benefit claims	95,991,238	102,298,734
	$147,357,175	$153,142,708

The accompanying notes are an integral part of these financial statements.

Approved by the Commission:

Dr. D.M. Bolton, Chairman

MEDICAL SERVICES COMMISSION OF BRITISH COLUMBIA

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED 31 MARCH 1986

	1986	1985
REVENUE		
Subscribers' premiums	$355,178,620	$328,813,607
Premium assistance - Province of British Columbia	85,336,837	79,267,934
	440,515,457	408,081,541
EXPENDITURE		
Benefits		
Medical care	830,936,509	812,931,834
Supplementary benefits	57,451,700	53,057,847
	888,388,209	865,989,681
Administration		
Data processing	11,371,431	9,516,971
General office	3,105,745	2,862,151
Salaries	13,484,197	12,998,993
	27,961,373	25,378,115
	916,349,582	891,367,796
EXCESS OF EXPENDITURE OVER REVENUE	(475,834,125)	(483,286,255)
CONTRIBUTIONS FROM THE PROVINCE OF BRITISH COLUMBIA	475,834,125	483,286,255
	$ -	$ -

MEDICAL SERVICES COMMISSION OF BRITISH COLUMBIA

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 1986

1. The Commission

The Medical Services Commission was established, effective 1 July 1968, by the Government of the Province of British Columbia under the Medical Service Act and regulations, to administer and operate the Medical Services Plan.

2. Significant Accounting Policies

These financial statements have been prepared in accordance with generally accepted accounting principles except that:

(i) Premiums from individual subscribers are included as revenue only when cash is received and the revenue is earned.

(ii) The cost of furniture and equipment is charged to administration expenses in the year of acquisition.

(iii) Employees' holiday pay is not accrued.

3. Relationship with the Province of British Columbia

The Ministry of Health absorbs certain costs that normally would be charged to the Commission; for example, occupancy costs.

OCEAN FALLS CORPORATION

KMG Thorne Riddell

Chartered Accountants

AUDITORS' REPORT

The Lieutenant-Governor in Council

Province of British Columbia

We have examined the balance sheet of Ocean Falls Corporation as at December 31, 1985 and the statement of income and deficit for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Corporation as at December 31, 1985 and the results of its operations for the year then ended in accordance with the basis of accounting as described in note 1 applied consistently with that of the preceding year.

Thorne Riddell

Vancouver, Canada
February 26, 1986

Chartered Accountants

OCEAN FALLS CORPORATION
(Incorporated by Act of the Legislature of British Columbia)

BALANCE SHEET AS AT DECEMBER 31, 1985

ASSETS	1985	1984
CASH AND TERM DEPOSITS	$ 137,126	$ 493,100
ACCOUNTS RECEIVABLE		
Normalization project (note 1)	16,490	-
Other	45,307	26,238
RECEIVABLE FROM BRITISH COLUMBIA CELLULOSE COMPANY	323,650	-
INVENTORY	15,448	524,686
PREPAID EXPENSES	4,121	5,848
INCOME TAXES RECOVERABLE	-	198,517
FIXED ASSETS (note 2)	876,350	1,886,780
MORTGAGES RECEIVABLE	76,048	98,264
LAND AND HOUSES HELD FOR RESALE	-	1,038,273
	$ 1,494,540	$ 4,271,706
LIABILITIES		
BANK INDEBTEDNESS	-	$ 125,000
DEMAND LOANS (note 3)	$15,294,453	15,294,453
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES		
Normalization project (note 1)	299,208	-
Other	264,427	262,735
INTEREST ON LOANS FROM PROVINCE OF BRITISH COLUMBIA AND BRITISH COLUMBIA CELLULOSE COMPANY	7,896,872	6,579,036
ACCRUED LIABILITIES FOR COSTS OF TERMINATING OPERATIONS	144,071	249,577
MORTGAGES PAYABLE	7,535	14,914
	23,906,566	22,525,715
CONTRIBUTED SURPLUS AND DEFICIT		
CONTRIBUTED SURPLUS (note 2)	37,342,122	37,018,472
DEFICIT	59,754,148	55,272,481
	(22,412,026)	(18,254,009)
	$ 1,494,540	$ 4,271,706

Approved by the Board

Director

Director

OCEAN FALLS CORPORATION

STATEMENT OF INCOME AND DEFICIT

YEAR ENDED DECEMBER 31, 1985

	1985	1984
Expenses		
Normalization project (note 1)	$ 628,444	-
General and administrative	435,011	$ 623,631
Interest on demand loans	1,318,563	1,391,244
Other interest	2,757	8,060
	2,384,775	2,022,935
Loss before extraordinary item	2,384,775	2,022,935
Extraordinary item (note 1)	2,096,892	661,724
LOSS FOR THE YEAR	4,481,667	1,361,211
Deficit at beginning of year	55,272,481	53,911,270
DEFICIT AT END OF YEAR	$59,754,148	$55,272,481

OCEAN FALLS CORPORATION

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 1985

1. OPERATIONS

In 1980, the Government of the Province of British Columbia shut down the Corporation's mill operations. Accordingly, these financial statements have been prepared on an estimated realizable basis.

In 1983, the "Ocean Falls Corporation Repeal Act" was passed by the British Columbia Legislature. The purpose of this Act is to dissolve the Ocean Falls Corporation and to transfer its property and liabilities to the Crown. The date for this dissolution has been set for March 31, 1986.

In accordance with the planned dissolution, the Government of British Columbia announced a plan ("normalization project") to place the community of Ocean Falls in a position to function as a normal coastal community. As a result all industrial and social assets were assessed. Those assets not required for the future of the community have been or are to be demolished or sold.

Inventory, fixed assets and land and houses held for resale have been written down to their estimated net realizable value to the Corporation as follows:

Write-down of inventory	$ 509,182
Write-down of land and houses for resale	1,065,455
Loss on disposal and write-down of fixed assets	522,255
	$2,096,892

2. FIXED ASSETS AND CONTRIBUTED SURPLUS

During the year, the Corporation and British Columbia Cellulose Company entered into an agreement with Maynards Industries Ltd. whereby most of the machinery and equipment of the two companies will be sold for a net minimum guaranteed amount of $1,600,000. Of this amount, approximately $1,276,350 relates to assets owned by the Corporation and the balance of $323,650 relates to assets owned by British Columbia Cellulose Company. The proceeds from the sale of those assets owned by British Columbia Cellulose Company are to be directed towards the Ocean Falls normalization project and therefore such proceeds have been credited to the contributed surplus of the Corporation. If sales proceeds exceed $2,000,000, 70% of such proceeds are to be allocated to the Corporation. As at December 31, 1985 a total of $400,000 had been received on sales of these assets.

As a result of this agreement the fixed assets have been written down to their estimated net realizable value which at December 31, 1985 is $876,350.

3. DEMAND LOANS

	1985	1984
Province of British Columbia		
Interest at chartered bank prime rate compounded quarterly with no fixed terms of repayment	$ 5,044,453	$ 5,044,453
Interest at 8-1/4% compounded semi-annually with no fixed terms of repayment	2,000,000	2,000,000
Interest at 9-1/10% compounded semi-annually and matured September 1, 1985	2,000,000	2,000,000
Interest at 9-1/4% compounded semi-annually and matured November 1, 1985	2,000,000	2,000,000
British Columbia Cellulose Company		
No interest payable since December 31, 1979 and matured June 30, 1985	2,000,000	2,000,000
Interest at prime plus 1/2%	2,250,000	2,250,000
	$15,294,453	$15,294,453

The loan from the Province of British Columbia in the amount of $5,044,453 is secured by a debenture having a first fixed charge on the real property of the Corporation and a floating charge on all other assets of the Corporation. Other loans from the Province of British Columbia are unsecured. No arrangements have been made to repay these amounts prior to the dissolution of the Corporation.

The demand loans from British Columbia Cellulose Company bearing interest at prime plus 1/2% are partly secured by a debenture having a fixed charge on the real property of the Corporation and a floating charge on all other assets of the Corporation, subordinate in priority to all other demand loans.

PACIFIC COACH LINES LIMITED

Chartered Accountants

Suite 620
880 Douglas Street
Victoria, B.C. V8W 2B7

(604) 383 4191

Price Waterhouse

July 3, 1986

AUDITORS' REPORT

To the Shareholder of
Pacific Coach Lines Limited:

We have examined the balance sheet of Pacific Coach Lines Limited as at March 31, 1986 and the statements of operations and deficit and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the company as at March 31, 1986 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Price Waterhouse

Chartered Accountants

PACIFIC COACH LINES LIMITED

BALANCE SHEET

ASSETS

	March 31 1986	March 31 1985
Current assets:		
Cash	$ 633,473	$ 495,967
Accounts receivable	261,567	123,230
Pension overpayment recoverable	33,376	33,376
	928,416	652,573
Account receivable due after one year	17,000	34,000
Fixed assets (Notes 1 and 2):		
Land and buildings	430,348	1,025,118
Less: Accumulated depreciation	4,554	66,497
	425,794	958,621
	$ 1,371,210	$ 1,645,194

LIABILITIES

	March 31 1986	March 31 1985
Current liabilities:		
Accounts payable and accrued liabilities	$ 29,816	$ 100,374
Severance pay liability	110,040	110,040
Operating contract adjustment due to the Province of British Columbia	734,209	734,209
	874,065	944,623

SHAREHOLDER'S EQUITY

Share capital:		
Authorized-		
10,000 common shares of $1 par value		
Issued-		
2 common shares	2	2
Contributed surplus	2,491,366	2,491,366
Deficit	(1,994,223)	(1,790,797)
	497,145	700,571
	$ 1,371,210	$ 1,645,194

APPROVED BY THE BOARD:

Director

Director

PACIFIC COACH LINES LIMITED

STATEMENT OF OPERATIONS AND DEFICIT

	Year ended March 31	
	1986	1985
Revenue:		
Rental and sundry revenue	$ 60,089	$ 115,394
Interest on short term deposits	28,525	432,633
	88,614	548,027
Expenses:		
Wages and benefits	49,701	220,560
Professional fees	16,837	71,911
Other operating expenses	1,256	56,912
Depreciation	698	11,574
Bank charges	48	4,846
Interest	-	337,300
	68,540	703,103
Income (loss) before extraordinary items	20,074	(155,076)
Extraordinary income (expense) relating to privatization (Note 2):		
Gain (loss) on sale of fixed assets	(194,756)	367,863
Other	(28,744)	(288,859)
	(223,500)	79,004
Loss for year	203,426	76,072
Deficit, beginning of year	1,790,797	1,997,978
Transfer from excess of appraised value of assets over depreciated cost or nominal value, April 1, 1979, of amounts realized through sale	-	283,253
Deficit, end of year	$ 1,994,223	$ 1,790,797

PACIFIC COACH LINES LIMITED

STATEMENT OF CHANGES IN FINANCIAL POSITION

	Year ended March 31	
	1986	1985
Financial resources were provided by:		
Operations*	$ 20,772	$ -
Extraordinary items (as affecting working capital)	308,629	981,662
Collection of account receivable due after one year	17,000	-
	346,401	981,662
Financial resources were used for:		
Operations*	-	143,502
Account receivable due after one year	-	34,000
	-	177,502
Increase in working capital	346,401	804,160
Working capital deficiency, beginning of year	292,050	1,096,210
Working capital (deficiency), end of year	$ 54,351	$ (292,050)
*Operations-		
Income (loss) before extraordinary items	$ 20,074	$ (155,076)
Charge not affecting working capital:		
Depreciation	698	11,574
	$ 20,772	$ (143,502)

PACIFIC COACH LINES LIMITED

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1986

1. Fixed assets:

	March 31 1986	March 31 1985
Cost:		
Land	$ 393,076	$ 697,857
Buildings	37,272	327,261
	430,348	1,025,118
Less: Accumulated depreciation	4,554	66,497
	$ 425,794	$ 958,621

The costs of major replacements, additions and improvements are capitalized in the fixed asset accounts. The costs of maintenance, repairs, and minor renewals or replacements are charged against income. On retirement or disposal of fixed assets, the costs thereof and the related accumulated depreciation are eliminated from the accounts and any gains or losses are reflected in the statement of operations.

The fixed assets are depreciated on the straight-line method based on useful lives.

2. Cessation of operations:

In the July 7, 1983 Provincial Budget the Honourable Hugh Curtis, Minister of Finance, announced that the government intended to give the private sector the opportunity to take over functions and activities not appropriate to government. Effective with the close of business March 31, 1984 all operations of the company were discontinued and the personnel terminated.

All remaining assets, with the exception of certain real estate holdings, were sold during the period from close of business to March 31, 1986.

All income and expenses relating to the discontinuance of operations and the sale of assets have been included as extraordinary items in the statement of operations and deficit.

3. Income taxes:

Since the Province of British Columbia is the sole shareholder, the company is exempt from income taxes.

PACIFIC VOCATIONAL INSTITUTE

Province of British Columbia

Office of the
Auditor General
Province of British Columbia

8 Bastion Square
Victoria
British Columbia
V8V 1X4

AUDITOR'S REPORT

To the Chairman and Members of the Board of Governors of the Pacific Vocational Institute, and

To the Minister of Post-Secondary Education
Province of British Columbia:

I have examined the balance sheet of the Pacific Vocational Institute as at 31 March 1986 and the statements of revenue and expenditure, changes in fund balances and ancillary enterprise operations for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Institute as at 31 March 1986 and the results of its operations and the changes in its fund balances for the year then ended in accordance with accounting principles described in note 1 to the financial statements, applied on a basis consistent with that of the preceding year.

Erma Morrison, F.C.A.
Auditor General

Victoria, British Columbia
30 May 1986

PACIFIC VOCATIONAL INSTITUTE

BALANCE SHEET

as at March 31, 1986

	Operating Funds	Restricted Funds	Capital Fund	Total	1985 Total
ASSETS					
Cash and Term Deposits	$1,253,941	$ 230,471	$ -	$ 1,484,412	$ 246,891
Accounts Receivable - Province of British Columbia	140,648	-	-	140,648	1,278,281
- B. C. Institute of Technology	81,474	-	-	81,474	-
- Other	156,732	2,592	-	159,324	160,889
Inventories	221,795	-	-	221,795	180,357
Prepaid Expenses	7,640	-	-	7,640	45,842
Land, Buildings and Equipment (Note 2)	-	-	27,855,128	27,855,128	27,325,498
Interfund Advances	(174,649)	16,492	158,157	-	-
	$1,687,581	$ 249,555	$28,013,285	$29,950,421	$29,237,758
LIABILITIES, EQUITY AND FUND BALANCES					
Accounts Payable and Accrued Liabilities	$1,390,490	$ -	$ 62,942	$ 1,453,432	$ 1,177,486
Accounts Payable - B. C. Institute of Technology	124,834	-	914,525	1,039,359	-
Deferred Revenue	165,359	-	-	165,359	153,911
Short-Term Borrowings	-	-	-	-	1,116,852
Long-Term Debt (Note 3)	-	-	12,543,537	12,543,537	12,999,328
Equity in Land, Buildings and Equipment	-	-	14,366,011	14,366,011	13,178,252
Fund Balances	6,898	249,555	126,270	382,723	611,929
	$1,687,581	$ 249,555	$28,013,285	$29,950,421	$29,237,758

Approved by the Board of Governors:

Malcolm C.J. Wickson, LL.B.
Chairman, Board of Governors

D.M. Macpherson, C.A.
Vice President, Finance

PACIFIC VOCATIONAL INSTITUTE

STATEMENT OF REVENUE AND EXPENDITURE

for the year ended March 31, 1986

	Operating Funds							
	General Purposes	Specific Purposes	Total	Restricted Funds	Debt Service Fund	Capital Fund	Total	1985 Total
REVENUE								
Province of British Columbia Grants	$18,582,970	$163,883	$18,746,853	$ -	$2,586,337	$ 199,400	$21,532,590	$23,670,435
Authorized Capital Funding	-	-	-	-	-	185,402	185,402	281,869
Tuition Fees	1,991,799	-	1,991,799	-	-	-	1,991,799	1,806,040
Investment Income	74,316	-	74,316	18,739	-	-	93,055	72,631
Interest on Sinking Fund	-	-	-	-	122,880	-	122,880	87,607
Gifts and Donations	-	-	-	32,157	-	-	32,157	34,565
Parking Fees	-	-	-	51,897	-	-	51,897	42,222
Miscellaneous	978,062	-	978,062	143	-	8,612	986,817	1,010,220
	21,627,147	163,883	21,791,030	102,936	2,709,217	393,414	24,996,597	27,005,589
EXPENDITURE								
Vocational	14,352,140	44,339	14,396,479	-	-	-	14,396,479	15,414,545
Administrative and General	2,967,734	-	2,967,734	-	-	-	2,967,734	3,138,167
Debt Servicing	-	-	-	-	2,709,217	-	2,709,217	2,735,118
Training Resources	492,770	112,169	604,939	-	-	-	604,939	721,639
Facilities Services	2,581,323	-	2,581,323	-	-	-	2,581,323	2,682,910
Media Services	399,993	-	399,993	-	-	-	399,993	488,323
Student Services	808,371	-	808,371	-	-	-	808,371	805,773
Student Awards	-	1,445	1,445	38,021	-	-	39,466	32,858
Equipment	-	-	-	-	-	203,586	203,586	119,877
Capital Projects	-	-	-	-	-	193,650	193,650	695,179
Renovations on Establishment	-	-	-	-	-	132,396	132,396	20,182
Skills Growth Development	-	-	-	-	-	-	-	92,000
Work Study Program	-	14,320	14,320	-	-	-	14,320	23,530
Miscellaneous	-	-	-	66,664	-	-	66,664	4,572
	21,602,331	172,273	21,774,604	104,685	2,709,217	529,632	25,118,138	26,974,673
Ancillary Enterprises	107,665	-	107,665	-	-	-	107,665	63,387
	21,709,996	172,273	21,882,269	104,685	2,709,217	529,632	25,225,803	27,038,060
Excess (Deficiency) of Revenue over Expenditure	$ (82,849)	$ (8,390)	$ (91,239)	$ (1,749)	$ -	$(136,218)	$ (229,206)	$ (32,471)

PACIFIC VOCATIONAL INSTITUTE

STATEMENT OF CHANGES IN FUND BALANCES

for the year ended March 31, 1986

	Operating Funds							
	General Purposes	Specific Purposes	Total	Restricted Funds	Debt Service Fund	Capital Fund	Total	1985 Total
Balance, Beginning of Year	$ 7,292	$90,845	$98,137	$251,304	$4,070	$258,418	$611,929	$644,400
Interfund Transfer	-	-	-	-	(4,070)	4,070	-	-
Excess (Deficiency) of Revenue over Expenditure	(82,849)	(8,390)	(91,239)	(1,749)	-	(136,218)	(229,206)	(32,471)
Balance, End of Year	$(75,557)	$82,455	$ 6,898	$249,555	$ -	$126,270	$382,723	$611,929

PACIFIC VOCATIONAL INSTITUTE

STATEMENT OF ANCILLARY ENTERPRISE OPERATIONS

for the year ended March 31, 1986

	Bookstore		Student Housing		Food Services		Total	
	1986	1985	1986	1985	1986	1985	1986	1985
REVENUE								
Sales	$214,318	$301,255	$ -	$ -	$1,118,268	$1,145,063	$1,332,586	$1,446,318
Rental Income	-	-	456,351	453,552	-	-	456,351	453,552
	214,318	301,255	456,351	453,552	1,118,268	1,145,063	1,788,937	1,899,870
EXPENDITURE								
Cost of Sales	153,797	234,043	-	-	847,916	845,443	1,001,713	1,079,486
Salaries and Benefits	32,778	28,980	333,519	297,679	208,405	264,115	574,702	590,774
Other Operating Costs	3,343	5,863	216,387	195,476	100,457	91,658	320,187	292,997
	189,918	268,886	549,906	493,155	1,156,778	1,201,216	1,896,602	1,963,257
Excess (Deficiency) of Revenue over Expenditure	$ 24,400	$ 32,369	$(93,555)	$(39,603)	$ (38,510)	$ (56,153)	$ (107,665)	$ (63,387)

PACIFIC VOCATIONAL INSTITUTE

NOTES TO FINANCIAL STATEMENTS

for the year ended March 31, 1986

1. Significant Accounting Policies

a) General

These financial statements have been prepared in accordance with generally accepted accounting principles except for the following:

i) Fund accounting procedures are followed.
ii) Land, buildings and equipment expenditures are recorded on the Statement of Expenditure in the year in which they are incurred. The capital assets acquired are also recorded at cost on the Balance Sheet, and equity in land, buildings and equipment is recorded as funds are expended to acquire these assets or to repay loans incurred for such transactions.
iii) No provision is made for depreciation on buildings and equipment.
iv) No provision is made for accrued vacation pay.
v) No provision is made for accrued interest on long-term debt.
vi) Books and periodicals for the Library are charged as an expense in the year acquired.
vii) Capital lease payments are recorded as expenditures when made but are not recorded as assets.

b) Fund Accounting

Available resources and their related expenditures are accounted for in separate funds in accordance with objectives specified by donors, limitations and restrictions imposed by sources outside the Institute, and determinations made by the Board of Governors. In the financial statements, funds with similar characteristics have been combined into major fund divisions which are described below:

i) General Purposes Operating - revenue and expenditure relating to the general operation of the Institute. This includes revenue and expenditure of Ancillary Enterprises comprising the Bookstore, Student Housing and Food Services. Ancillary Enterprises are only charged direct operating costs.
ii) Specific Purposes Operating - revenue and expenditure relating to specific projects which were undertaken by the Institute and specially funded by donors, governments or appropriations from the General Purposes Operating Fund.
iii) Restricted - revenue and expenditure authorized and directed under trust arrangements.

PACIFIC VOCATIONAL INSTITUTE

NOTES TO FINANCIAL STATEMENTS

for the year ended March 31, 1986

1. Significant Accounting Policies (Continued)

b) Fund Accounting

iv) Debt Service Fund - revenue and expenditure relating to the servicing of authorized borrowings.
v) Capital - revenue and expenditure relating to the acquisition of capital assets.

c) Inventories

Inventories consist of general supplies, books and food, and are recorded at the lower of cost and net realizable value.

2. Land, Buildings and Equipment

	1986	1985
Buildings	$21,781,726	$21,455,682
Equipment	6,073,402	5,869,816
	$27,855,128	$27,325,498

All Institute campus land and certain buildings occupied by the Institute are the property of the Province of British Columbia and are provided free of charge except for property at Sea Island which is leased from the Ministry of Transport at $22,023 per annum, and land upon which the Redford House Student Hotel is situated which the Institute owns.

All equipment acquired prior to April 1, 1978 for use by the Institute was previously owned by the Province of British Columbia. During the year ended March 31, 1978 title was transferred at no cost to the Institute. This equipment is recorded at the nominal value of $1.

During the year ended March 31, 1984 the Institute acquired the Redford House Student Hotel from the Province of British Columbia at no cost. This property, consisting of land and buildings, is recorded at the nominal value of $1.

PACIFIC VOCATIONAL INSTITUTE

NOTES TO FINANCIAL STATEMENTS

for the year ended March 31, 1986

3. Long-Term Debt

Long-Term debt consists of debentures issued to the British Columbia Educational Institutions Capital Financing Authority. The proceeds from the debentures are used to retire short-term borrowings.

Terms are as follows:

Certificate Number	Maturity Date	Rate	Principal	Accumulated Sinking Fund Payments	Balance March 31, 1986	Balance March 31, 1985	Annual Payments
AB 6	June 20, 1993	11.75%	$ 371,000	$ 59,980	$ 311,020	$ 342,571	$ 69,202
GG 7	November 9, 1999	10.68%	1,200,000	247,585	952,415	1,000,579	157,509
GG 11	June 10, 2000	12.01%	1,000,000	168,784	831,216	868,785	144,490
GG 14	October 10, 2000	12.50%	2,000,000	326,303	1,673,697	1,752,898	298,825
GG 26	March 10, 2002	16.10%	1,926,000	201,759	1,724,241	1,783,134	352,173
GG 28	May 10, 2002	15.25%	1,948,000	158,692	1,789,308	1,847,899	339,637
GG 40	July 4, 2003	11.37%	4,000,000	203,836	3,796,164	3,903,462	542,208
GG 50	November 2, 2004	12.96%	1,500,000	34,524	1,465,476	1,500,000	227,178
Totals:			$13,945,000	$1,401,463	$12,543,537	$12,999,328	$2,131,222

Annual payments include interest and sinking fund installments and are paid to the British Columbia Educational Institutions Capital Financing Authority from grants received from the Province of British Columbia. These debentures can be recalled by the Chairman of the British Columbia Educational Institutions Capital Financing Authority by giving not less than five (5) months' notice in writing.

The Province of British Columbia has unconditionally guaranteed the payment of principal and interest on the debentures.

PACIFIC VOCATIONAL INSTITUTE

NOTES TO FINANCIAL STATEMENTS

for the year ended March 31, 1986

4. Commitments

Commitments for lease and rental agreements amount to $88,370 per annum until April 26, 1987.

5. Contingent Liability

A contingent liability exists for banked sick leave and retirement allowance benefits to certain employees. As this liability is only payable upon the employees' retirement, the amount cannot be reasonably estimated as at March 31, 1986.

6. Subsequent Event

On May 31, 1985, the Minister of Education announced that Pacific Vocational Institute was to be amalgamated with the British Columbia Institute of Technology and that the amalgamated entity would operate under the name of British Columbia Institute of Technology. The Lieutenant Governor in Council approved this amalgamation effective April 1, 1986.

7. Comparative Figures

Certain 1985 comparative figures have been restated to conform with the presentation adopted for the current year. These restatements have no effect on Fund Balances.

PROVINCIAL CAPITAL COMMISSION

Province of British Columbia

Office of the
Auditor General
Province of British Columbia

8 Bastion Square
Victoria
British Columbia
V8V 1X4

AUDITOR'S REPORT

To the Chairman and Members of the
Provincial Capital Commission, and

To the Minister of Finance
Province of British Columbia:

I have examined the balance sheet of the Provincial Capital Commission as at 31 March 1986 and the statement of revenue, expenditure and surplus for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Commission as at 31 March 1986 and the results of its operations for the year then ended in accordance with the accounting policies set out in note 2 to the financial statements, applied on a basis consistent with that of the preceding year.

Erma Morrison

Erma Morrison, F.C.A.
Auditor General

Victoria, British Columbia
13 June 1986

PROVINCIAL CAPITAL COMMISSION

BALANCE SHEET

AS AT 31 MARCH 1986

	1986	1985
ASSETS		
Cash	$ 18,120	$ 110,046
Short-term investments (market value $1,939,235, 1985 - $1,729,615)	1,913,082	1,724,299
Accounts receivable	140,848	75,448
Inventory	7,900	9,865
Prepaid expenses	23,094	10,324
Property (note 3)	1	1
	$2,103,045	$1,929,983
LIABILITIES		
Cheques issued in excess of funds on deposit	$ 18,810	$ -
Accounts payable and accrued liabilities	158,196	129,260
Deferred rental income	4,015	13,395
	181,021	142,655
SURPLUS		
Appropriated (note 4)	236,139	162,344
Unappropriated	1,685,884	1,624,983
Contributed	1	1
	1,922,024	1,787,328
	$2,103,045	$1,929,983

The accompanying notes are an integral part of these financial statements.

Approved by the Commission:

K.A.S. Hill - Chairman

P. Charlesworth - Vice Chairman

PROVINCIAL CAPITAL COMMISSION
STATEMENT OF REVENUE, EXPENDITURE AND SURPLUS
FOR THE YEAR ENDED 31 MARCH 1986

	Capital (Schedule 2)		Operations					
			General		Crystal Garden		Total	
	1986	1985	1986	1985	1986	1985	1986	1985
REVENUE								
Province of British Columbia Operating grant (note 5)	$ -	$ -	$ 300,000	$ 256,500	$ -	$ -	$ 300,000	$ 256,500
Admissions	-	-	-	-	341,146	338,107	341,146	338,107
Ballroom, lounge rental and bar sales	-	-	-	-	167,357	120,252	167,357	120,252
Interest	-	-	186,757	185,752	2,417	997	189,174	186,749
Tenant rentals	-	-	507,994	535,370	201,464	166,472	709,458	701,842
Other revenue	-	-	13,610	3,184	7,614	7,830	21,224	11,014
	-	-	1,008,361	980,806	719,998	633,658	1,728,359	1,614,464
EXPENDITURE								
Operating (Schedule 1)	-	-	685,148	630,885	792,310	686,028	1,477,458	1,316,913
Capital	116,205	73,294	-	-	-	-	116,205	73,294
	116,205	73,294	685,148	630,885	792,310	686,028	1,593,663	1,390,207
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURE	(116,205)	(73,294)	323,213	349,921	(72,312)	(52,370)	134,696	224,257
TRANSFERS	190,000	39,691	(190,000)	(39,691)	-	-	-	-
INCREASE (DECREASE) IN SURPLUS	73,795	(33,603)	133,213	310,230	(72,312)	(52,370)	134,696	224,257
SURPLUS (DEFICIT) - BEGINNING OF YEAR	162,344	195,947	2,190,841	1,880,611	(565,858)	(513,488)	1,787,327	1,563,070
- END OF YEAR	$236,139	$162,344	$2,324,054	$2,190,841	$(638,170)	$(565,858)	$1,922,023	$1,787,327
SURPLUS - APPROPRIATED							$ 236,139	$ 162,344
UNAPPROPRIATED							1,685,884	1,624,983
							$1,922,023	$1,787,327

PROVINCIAL CAPITAL COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1986

1. THE COMMISSION

The Provincial Capital Commission operates under authority of the Capital Commission Act, RSBC 1979, Chapter 42.

The Commission is responsible for the following:

- advising on the planning and funding of improvement and beautification projects in the Capital Improvement District,
- controlling and managing specific approved projects not under the direct control of member municipalities,
- co-ordinating construction and development work of all construction proposals on land controlled or owned by the Province in the Capital Improvement District,
- serving Greater Victoria through co-operation with local municipalities and by assistance funding to approved improvement and beautification projects, and
- operating the Crystal Gardens and St. Ann's Academy.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with generally accepted accounting principles, except as modified by note 2(c) below. Significant accounting policies followed in the preparation of these financial statements were:

(a) Short-term investments

Short-term investments are recorded at cost.

(b) Inventory

Inventory is valued at the lower of cost and net realizable value.

PROVINCIAL CAPITAL COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1986

(c) Fixed assets

Property comprised of land and buildings owned by the Commission is recorded at a nominal value of one dollar. The costs of purchasing such assets and making capital improvements to them are written off against appropriated surplus when incurred.

Furnishings and equipment are charged to operating expenses in the year of acquisition.

3. PROPERTY

Property recorded at a nominal value of one dollar represents forty-four properties transferred to the Commission from the Province of British Columbia as free Crown grants.

The aggregate assessed value of these properties, including improvements made by the Commission, was $23,087,750 at 31 December 1985 (1984 - $25,836,000).

4. APPROPRIATED SURPLUS

Appropriated surplus is comprised of balances of amounts approved by Order-in-Council for capital projects which are not yet completed.

5. PROVINCE OF BRITISH COLUMBIA OPERATING GRANT

The operating grant represents a lump sum payment to the Commission by the Ministry of Finance to cover administrative expenses.

6. PROPERTY TAXES

Lands used for public purposes are exempt from property taxes. Property taxes in the financial statements relate only to commercial use properties owned by the Commission.

7. RECLASSIFICATIONS

Certain of the 1985 financial statement items have been reclassified to conform with the presentation adopted in 1986.

Schedule 1

PROVINCIAL CAPITAL COMMISSION
SCHEDULE OF OPERATING EXPENDITURE
FOR THE YEAR ENDED 31 MARCH 1986

	General Operations		Crystal Garden		Total	
	1986	1985	1986	1985	1986	1985
Accounting and professional services	$ 18,513	$ 62,471	$ 2,890	$ 50	$ 21,403	$ 62,521
Advertising and promotion	7,524	5,234	87,650	73,480	95,174	78,714
Amortization of deferred charges	-	-	-	1,779	-	1,779
Aviary	-	-	36,642	16,163	36,642	16,163
Bad debts expense	(32)	1,509	1,806	810	1,774	2,319
Ballroom, lounge and bar	-	-	71,602	50,963	71,602	50,963
Commissions	37,253	35,858	-	-	37,253	35,858
Freight	-	-	1,686	1,258	1,686	1,258
Horticultural	-	-	22,655	19,077	22,655	19,077
Insurance	15,215	13,683	7,892	7,291	23,107	20,974
Janitorial	9,382	6,519	50,035	47,035	59,417	53,554
Landscaping	26,025	21,206	-	-	26,025	21,206
Miscellaneous	2,019	6,081	4,947	5,470	6,966	11,551
Office	33,821	30,034	5,689	5,329	39,510	35,363
Property taxes (note 6)	41,479	47,469	27,151	33,991	68,630	81,460
Rent	3,480	3,480	-	-	3,480	3,480
Repairs and maintenance	132,884	86,560	93,528	45,969	226,412	132,529
Salaries and benefits	274,032	238,410	235,833	239,737	509,865	478,147
Security	5,586	4,362	32,414	32,926	38,000	37,288
Telephone	11,530	8,475	12,818	5,241	24,348	13,716
Tours	-	-	22,345	26,585	22,345	26,585
Travel	220	-	3,461	1,304	3,681	1,304
Utilities	63,217	57,734	71,266	71,570	134,483	129,304
Wharfinger services	3,000	1,800	-	-	3,000	1,800
	$685,148	$630,885	$792,310	$686,028	$1,477,458	$1,316,913

Schedule 2

PROVINCIAL CAPITAL COMMISSION
SCHEDULE OF APPROPRIATED SURPLUS
FOR THE YEAR ENDED 31 MARCH 1986

	Balance at Beginining of Year	Authorized Addition During the Year	Capital Expenditures During the Year	Balance at End of Year
Colquitz Creek	$ 22,207	$ -	$ 14,513	$ 7,694
Reay Creek	29,988	-	29,988	-
Fleming Beach	31,160	-	8,204	22,956
Wharf Street Rock Wall	63,500	-	63,500	-
Brentwood Bay-Pioneer Park	15,489	-	-	15,489
West Bay Development-Phase I	-	190,000	-	190,000
	$162,344	$190,000	$116,205	$236,139

PROVINCIAL RENTAL HOUSING CORPORATION

Province of
British Columbia

Office of the
Auditor General
Province of British Columbia

8 Bastion Square
Victoria
British Columbia
V8V 1X4

AUDITOR'S REPORT

To the President of the Provincial Rental Housing Corporation, and

To the Minister of Lands, Parks and Housing
Province of British Columbia:

I have examined the statement of financial position of the Provincial Rental Housing Corporation as at 31 December 1985 and the statements of revenue, expenses and accumulated return of investment and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Corporation as at 31 December 1985 and the accumulated return of its investment and the changes in its financial position for the year then ended in accordance with the accounting policies described in note 2 to the financial statements, applied on a basis consistent with that of the preceding year.

Erma Morrison, F.C.A.
Auditor General

Victoria, British Columbia
5 March 1986

PROVINCIAL RENTAL HOUSING CORPORATION

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 1985

ASSETS	1985	1984
CURRENT ASSETS		
Amortization revenue receivable	$ -	$ 150,357
Prepaid expenses	10,917	21,656
	10,917	172,013
INVESTMENT IN RENTAL HOUSING (Note 3)	89,977,955	89,977,955
Less accumulated return of investment	(15,032,954)	(13,741,218)
	74,945,001	76,236,737
	$74,955,918	$76,408,750
LIABILITIES AND SHAREHOLDER'S EQUITY		
CURRENT LIABILITIES		
Interest payable and accrued	$ 4,702,394	$ 4,860,371
Current portion of long-term debt	98,900	91,281
	4,801,294	4,951,652
LONG-TERM DEBT (Note 4)	69,452,102	70,754,576
	74,253,396	75,706,228
SHARE CAPITAL		
Authorized 10,000 common shares of no par value		
Issued and fully paid - 3 shares	3	3
CONTRIBUTED SURPLUS	669,076	669,076
RETAINED EARNINGS	33,443	33,443
	702,522	702,522
	$74,955,918	$76,408,750

The accompanying notes are an integral part of these financial statements.

Approved by the Board:

Director

Director

PROVINCIAL RENTAL HOUSING CORPORATION

STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED RETURN OF INVESTMENT

FOR THE YEAR ENDED DECEMBER 31, 1985

	1985	1984
REVENUE		
Amortization	$ 8,696,516	$ 8,696,516
EXPENSES		
Interest on long-term debt	7,375,065	7,505,885
Insurance	29,715	35,763
	7,404,780	7,541,648
EXCESS OF REVENUE OVER EXPENSES	1,291,736	1,154,868
ACCUMULATED RETURN OF INVESTMENT		
- beginning of year	13,741,218	12,586,350
- end of year	$15,032,954	$13,741,218

PROVINCIAL RENTAL HOUSING CORPORATION

STATEMENT OF CHANGES IN FINANCIAL POSITION

FOR THE YEAR ENDED DECEMBER 31, 1985

	1985	1984
WORKING CAPITAL WAS PROVIDED BY:		
Excess of revenue over expenditures	$ 1,291,736	$ 1,154,868
Increase in long-term debt	4,825,213	5,871,385
	6,116,949	7,026,253
WORKING CAPITAL WAS USED FOR:		
Investment in rental housing	-	1,027,873
Reduction in long-term debt	6,127,687	5,990,174
	6,127,687	7,018,047
(INCREASE) DECREASE IN WORKING CAPITAL	10,738	(8,206)
WORKING CAPITAL DEFICIENCY - BEGINNING OF YEAR	4,779,639	4,787,845
WORKING CAPITAL DEFICIENCY - END OF YEAR	$ 4,790,377	$ 4,779,639
Working Capital Deficiency is made up of:		
Current liabilities	4,801,294	4,951,652
Less: Current assets	10,917	172,013
	$ 4,790,377	$ 4,779,639

PROVINCIAL RENTAL HOUSING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1985

1. THE CORPORATION

The Provincial Rental Housing Corporation is incorporated under the Company Act of the Province of British Columbia and is a Housing Corporation and an agent of the Crown. It is wholly owned by the Province of British Columbia.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with generally accepted accounting principles except for the treatment of investment in rental housing described in note 2(b) below.

a) Amortization Revenue

Amortization revenue represents amounts charged by the Corporation to the British Columbia Housing Management Commission, which manages the rental housing units of the Corporation.

The amount charged to the Commission is based on the acquisition costs of the housing units amortized generally over 50 years.

b) Investment in Rental Housing

Investment in rental housing is stated at cost less accumulated return of investment. The accumulated return of investment representing the excess of revenue over expenses is treated as a reduction, in lieu of depreciation, in the carrying value of investment in rental housing. The reduction is expected to write off the capital costs of the projects over a period of fifty years.

3. INVESTMENT IN RENTAL HOUSING

The investment of the Corporation in subsidized rental housing at December 31, 1985 was comprised of 99 projects and consisted of the following:

	1985	1984
Properties eligible for Federal loans	$64,033,927	$64,033,927
Provincial share of joint Federal/ Provincial properties	24,916,155	24,916,155
Property not eligible for Federal loans	1,027,873	1,027,873
	$89,977,955	$89,977,955

PROVINCIAL RENTAL HOUSING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1985

4. LONG-TERM DEBT	1985	1984
Province of British Columbia		
9.75% Debenture	$22,104,547	$23,306,615
14.50% Mortgage loan	1,025,052	1,027,873
	23,129,599	24,334,488
Canada Mortgage and Housing Corporation		
Debenture mortgage loans	46,421,403	46,511,369
	69,551,002	70,845,857
Less - current portion	98,900	91,281
	$69,452,102	$70,754,576

a) The provincial debenture is repayable on demand and is secured by a first floating charge on all the property, assets and undertakings of the Corporation.

The provincial mortgage loan is repayable over 35 years. The loan bears interest at 14 1/2% compounded yearly and is a registered mortgage against the property.

b) The debenture mortgage loans are repayable to the Canada Mortgage and Housing Corporation over terms up to fifty years. These loans bear interest at rates from 8% to 10.75% and are secured by unregistered first mortgages on properties with a carrying value of $56,792,983.

The aggregate repayments of principal required to meet debt obligations in each of the next five years are as follows:

1986	$ 98,900
1987	$110,452
1988	$121,513
1989	$133,693
1990	$147,106

5. ADMINISTRATION COSTS

No administration costs are charged to the Corporation for services performed by personnel of the Ministry of Lands, Parks and Housing.

6. COMPARATIVE FIGURES

Certain 1984 figures have been restated in order to conform with financial statement presentation adopted in 1985.

SCIENCE COUNCIL OF BRITISH COLUMBIA AND SECRETARIAT ON SCIENCE, RESEARCH AND DEVELOPMENT

Coopers & Lybrand | chartered accountants | a member firm of Coopers & Lybrand (International)

AUDITORS' REPORT

TO THE MINISTER OF UNIVERSITIES,

SCIENCE AND COMMUNICATIONS

We have examined the balance sheet of The Science Council of British Columbia and Secretariat on Science, Research and Development as at March 31, 1986 and the statements of research appropriations, expenditures and unexpended appropriations and operations appropriations, expenditures and unexpended appropriations for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Council and Secretariat as at March 31, 1986 and the results of their operations for the year then ended in accordance with generally accepted accounting principles, as modified by note 1 to the financial statements, applied on a basis consistent with that of the preceding year.

Coopers & Lybrand

Vancouver, B.C.
May 16, 1986

THE SCIENCE COUNCIL OF BRITISH COLUMBIA

AND SECRETARIAT ON SCIENCE, RESEARCH AND DEVELOPMENT

BALANCE SHEET AS AT MARCH 31, 1986

	1986 $	1985 $
A S S E T S		
CASH AND SHORT-TERM DEPOSITS	2,687,194	3,103,822
ACCOUNTS RECEIVABLE	43,589	43,315
PREPAID EXPENSES	1,611	1,611
	2,732,394	3,148,748
L I A B I L I T I E S		
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	44,963	44,151
U N E X P E N D E D A P P R O P R I A T I O N S		
RESEARCH (note 2)	2,574,820	3,055,659
OPERATIONS (note 3)	112,611	48,938
	2,687,431	3,104,597
	2,732,394	3,148,748

COMMITMENTS (Schedule and notes 2 and 3)

APPROVED BY THE COUNCIL AND SECRETARIAT





THE SCIENCE COUNCIL OF BRITISH COLUMBIA

AND SECRETARIAT ON SCIENCE, RESEARCH AND DEVELOPMENT

STATEMENT OF RESEARCH APPROPRIATIONS, EXPENDITURES

AND UNEXPENDED APPROPRIATIONS

FOR THE YEAR ENDED MARCH 31, 1986

	1986 $	1985 $
RESEARCH APPROPRIATIONS		
Grants from the Province of British Columbia	3,500,003	3,200,000
Interest	300,554	382,103
Refunds of prior years' research expenditures	118,720	84,976
Other	7,295	10,344
	3,926,572	3,677,423
RESEARCH EXPENDITURES - see Schedule		
Research grants	3,389,748	3,379,089
Industrial Post-Doctoral Fellowships (IPDF)	187,500	162,500
Graduate Research Engineering and Technology (GREAT) awards	624,000	654,500
Science and Engineering awards	26,311	12,016
Special requests	76,798	184,184
Special projects	93,529	29,190
Honoraria and other expenses	9,525	9,870
	4,407,411	4,431,349
EXCESS OF EXPENDITURES OVER APPROPRIATIONS FOR THE YEAR	(480,839)	(753,926)
UNEXPENDED APPROPRIATIONS - BEGINNING OF YEAR	3,055,659	3,809,585
UNEXPENDED APPROPRIATIONS - END OF YEAR (encumbered by outstanding commitments) (note 2)	2,574,820	3,055,659

THE SCIENCE COUNCIL OF BRITISH COLUMBIA

AND SECRETARIAT ON SCIENCE, RESEARCH AND DEVELOPMENT

STATEMENT OF OPERATIONS APPROPRIATIONS, EXPENDITURES

AND UNEXPENDED APPROPRIATIONS

FOR THE YEAR ENDED MARCH 31, 1986

	1986 $	1985 $
OPERATIONS APPROPRIATIONS		
Grants from the Province of British Columbia	300,000	249,700
Interest	10,709	8,488
	310,709	258,188
EXPENDITURES		
Computer services	6,004	3,750
Consulting fees	2,859	630
Furniture and equipment	5,422	22,986
Information services		3,203
Leasehold improvements		5,873
Meetings	3,365	2,290
Moving		5,473
Personnel recruitment		840
Photocopying and printing	22,813	19,402
Postage and courier	7,679	4,553
Professional fees	4,958	5,898
Publications	1,922	895
Rent	30,180	46,718
Salaries and employee benefits	249,525	278,765
Stationery and supplies	2,762	2,877
Telephone	10,089	10,710
Travel	11,735	9,371
	359,313	424,234
RECOVERY OF EXPENDITURES		
British Columbia Health Care Research Foundation	111,916	106,456
British Columbia Innovation Office		12,393
Other	361	1,116
	112,277	119,965
EXCESS (DEFICIENCY) OF APPROPRIATIONS OVER EXPENDITURES FOR THE YEAR	63,673	(46,081)
UNEXPENDED APPROPRIATIONS - BEGINNING OF YEAR	48,938	95,019
UNEXPENDED APPROPRIATIONS - END OF YEAR (note 3)	112,611	48,938

THE SCIENCE COUNCIL OF BRITISH COLUMBIA

AND SECRETARIAT ON SCIENCE, RESEARCH AND DEVELOPMENT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 1986

1. ACCOUNTING POLICIES

Fixed Assets

Fixed assets are not capitalized and depreciated as assets of the Council and Secretariat, but are written off in the period in which they are purchased.

Research Grants

Outstanding research grant commitments are conditional on receipt of satisfactory progress reports and are not recorded until actually disbursed.

2. RESEARCH GRANT COMMITMENTS (see Schedule)

During the year, the Council approved funding for research projects, IPDF's, GREAT's, Science and Engineering awards, special requests, special projects, honoraria and other expenses totalling $4,349,874. At March 31, 1986, known outstanding commitments totalled $2,513,317 which, together with additional estimated renewed commitments for the year ending March 31, 1987 of $1,949,194, amount to $4,462,511 in known and estimated outstanding commitments.

3. OPERATIONS APPROPRIATIONS

Included in unexpended appropriations is an amount of $40,000 reserved for leasehold improvements.

4. COMPARATIVE FIGURES

Certain amounts have been reclassified to conform with the presentation adopted for the year ended March 31, 1986.

THE SCIENCE COUNCIL OF BRITISH COLUMBIA

AND SECRETARIAT ON SCIENCE, RESEARCH AND DEVELOPMENT

SCHEDULE OF COMMITMENTS AND DISBURSEMENTS OF SCIENCE COUNCIL RESEARCH GRANTS

FOR THE YEAR ENDED MARCH 31, 1986

	Known outstanding commitments beginning of year $	Additional commitments during year $	Commitment reductions during year $	Disbursed during year $	Known outstanding commitments end of year $	Estimated renewed commitments 1986 - 1987 $	Known and estimated outstanding commitments at March 31, 1986 $
RESEARCH GRANTS							
Research Competition #2	3,000			3,000			
Research Competition #3	28,490			28,490			
Research Competition #4	80,512		(4,928)	75,584			
Research Competition #5	80,825		(14,310)	48,033	18,482		18,482
Research Competition #6	97,962		(75,689)	14,303	7,970		7,970
Research Competition #7	284,062		(14,993)	257,446	11,623		11,623
Research Competition #8	187,495		(24,536)	155,933	7,026		7,026
Research Competition #9	332,824		(35,590)	239,792	57,442		57,442
Research Competition #10	548,011	12,000	(93,699)	380,610	85,702		85,702
Research Competition #11	1,124,006		(23,185)	850,734	250,087		250,087
Research Competition #12		1,448,003	(41,400)	709,727	696,876	780,573	1,477,449
Research Competition #13		1,762,620		626,096	1,136,524	658,621	1,795,145
	2,767,187	3,222,623	(328,330)	3,389,748	2,271,732	1,439,194	3,710,926
IPDF's	93,750	250,000	(18,750)	187,500	137,500	150,000	287,500
GREAT's		624,000		624,000		360,000	360,000
SCIENCE AND ENGINEERING AWARDS		26,311		26,311			
SPECIAL REQUESTS							
Arts, Science and Technology Centre - Director		60,000			60,000		60,000
Arts, Science and Technology Centre - Regional Science Fair		14,000		12,600	1,400		1,400
Arts, Science and Technology Centre - Youth Fairs	1,194		(1,194)				
B.C. Research - Artificial Light		36,515		27,470	9,045		9,045
B.C.S.T.A. Book Prize 1985	10,000		(4,974)	5,026			
B.C.S.T.A./F.I.S.A. Book Prize 1986		14,500		1,000	13,500		13,500
B.C.S.T.A. Space Update 1986		1,000		1,000			
Canadian Centre of Creative Technology - Student		3,000	(2,858)	142			
MacDonald Dettwiler - ROMAC	13,000			13,000			
H.R. MacMillan Planetarium	1,300				1,300		1,300
H.R. MacMillan Planetarium - Halley's Comet		18,400		16,560	1,840		1,840
	25,494	147,415	(9,026)	76,798	87,085		87,085
SPECIAL PROJECTS							
Project Review Program	31,000			31,000			
Public Information	12,000	45,000	(2,471)	54,529			
Public Information - Video Project		25,000		8,000	17,000		17,000
	43,000	70,000	(2,471)	93,529	17,000		17,000
HONORARIA AND OTHER EXPENSES		9,525		9,525			
	2,929,431	4,349,874	(358,577)	4,407,411	2,513,317	1,949,194	4,462,511

SIMON FRASER UNIVERSITY

Province of
British Columbia

Office of the
Auditor General
Province of British Columbia

8 Bastion Square
Victoria
British Columbia
V8V 1X4

AUDITOR'S REPORT

To the Chairman and Members of the Board of Governors of
Simon Fraser University, and

To the Minister of Post-Secondary Education
Province of British Columbia:

I have examined the balance sheet of Simon Fraser University as at 31 March 1986 and the following statements for the year then ended:

Statement 2	- Statement of revenue and expenditures and changes in expendable fund balances
Statement 3	- Statement of changes in appropriated expendable funds
Statement 4	- Statement of changes in non-expendable funds
Statement 5	- Statement of changes in equity in plant assets

My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the University as at 31 March 1986 and the results of its operations and changes in fund balances for the year then ended in accordance with accounting principles described in note 1 to the financial statements applied on a basis consistent with that of the preceding year.

Erma Morrison, F.C.A.
Auditor General

Victoria, British Columbia
5 June 1986

SIMON FRASER UNIVERSITY

Balance Sheet
As at March 31, 1986
(thousands of dollars)

ASSETS	1986	1985
Cash and short term investments	$ 26,634	$ 28,212
Accounts receivable	2,999	2,804
Inventories	1,404	1,312
Prepaid expenses	252	148
Long term investments (market $2,308; 1985 $1,983)	2,244	1,944
Plant assets		
Land and buildings	107,059	102,428
Equipment	26,452	23,027
Library acquisitions	19,132	17,484
	$186,176	$177,359

LIABILITIES AND FUND BALANCES		1986	1985
Accounts payable and accrued liabilities		$ 8,415	$ 7,574
Loans payable (Note 2)		2,284	2,194
Group life insurance/disability (Note 6)		959	879
Long term debt (Note 3)			
Canada Mortgage and Housing Corporation		3,344	3,372
Capital Financing Authority	$48,234		
Less sinking fund	6,173	42,061	40,743
Non-expendable fund balances (Statement 4)			
Student loan		83	83
Endowment		5,418	4,579
Expendable fund balances			
Sponsored research (Statement 2)		1,197	1,670
Specific purpose (Statement 2)		5,608	2,131
Pension plan reserve (Note 4)		2,801	2,570
Appropriated (Statement 3)			
General operating		5,653	9,695
Ancillary enterprises		342	439
Capital		1,285	2,796
Unappropriated (Statement 2)			
General operating		121	209
Ancillary enterprises		51	(67)
Capital		2,059	1,934
Equity in plant assets (Statement 5)		104,495	96,558
		$186,176	$177,359

Approved by the Board of Governors:

F.H. Moonen
Chairman, Board of Governors

E.M. Scott, Ph. D.
Vice President, Finance

S I M O N F R A S E R U N I V E R S I T Y

Statement of Revenue and Expenditures and Changes In Expendable Fund Balances
For the Year Ended March 31, 1986
(thousands of Dollars)

	General Operating		Sponsored Research		Specific Purpose		Ancillary Enterprises		Capital		Totals	
	1986	1985	1986	1985	1986	1985	1986	1985	1986	1985	1986	1985
REVENUE AND OTHER ADDITIONS												
Government grants and contracts												
Province of British Columbia	$62,833	$63,237	$ 773	$1,010	$2,930	$1,773			$7,416	$7,184	$73,952	$73,204
Government of Canada	8	6	6,766	6,560	1,090	840					7,864	7,406
Other governments			40	31	81	54			15		136	85
Student fees -credit courses	11,620	10,521			759	653					12,379	11,174
-non-credit courses	580	386				4					580	390
-other	490	466									490	466
Gifts,grants and bequests	81	30	456	335	954	406			60	60	1,551	831
Sale of services and goods							$3,912	$3,687			3,912	3,687
Investment income	1,925	2,111			653	446			438	566	3,016	3,123
Miscellaneous income	464	465	27	26	427	82			19	36	937	609
Authorized capital borrowings									3,006	1,299	3,006	1,299
Interest earned on sinking fund									521	420	521	420
Interfund transfers in	235	54		16	3,929	671	55		1,808	1,071	*	*
	78,236	77,276	8,062	7,978	10,823	4,929	3,967	3,687	13,283	10,636	108,344	102,694
EXPENDITURES AND OTHER DEDUCTIONS												
Salaries- academic ranks	26,920	26,171	378	371	761	738					28,059	27,280
- other instruction and research	3,633	3,916	4,781	4,248	506	447					8,920	8,611
- other support staff	21,990	22,150			1,677	1,225	474	482			24,141	23,857
Total salaries	52,543	52,237	5,159	4,619	2,944	2,410	474	482			61,120	59,748
Employee benefits	6,802	6,527	258	227	216	165	52	47			7,328	6,966
Travel and personnel costs	1,528	1,436	706	703	567	258	15	8			2,816	2,405
Operating supplies and expenses	6,029	5,670	1,240	1,141	965	709	99	76			8,333	7,596
Equipment and furnishings	1,010	288	836	1,103	1,109	364	11	13	1,928	1,467	4,894	3,235
Equipment and facility rentals	1,796	1,968	21	34	51	12	1				1,869	2,014
Library acquisitions	1,667	1,672			27	21					1,694	1,693
Utilities	2,449	2,426	5	4	35	22	199	196			2,688	2,648
Scholarships, fellowships and bursaries	2,338	2,200			815	645					3,153	2,845
Contract services	1,589	1,603			10		165	181			1,764	1,784
Professional fees	840	592	288	187	393	145	22	5			1,543	929
Renovations and alterations	493	375	5	10	32	8	205	167			735	560
Debt servicing - interest							285	308	6,052	5,893	6,337	6,201
- principal							28	27	1,609	1,435	1,637	1,462
Cost of goods sold							2,067	2,062			2,067	2,062
Capital acquisitions									4,950	1,849	4,950	1,849
Internal cost allocations	(8)	(1)			8	1						
External cost recoveries	(2,391)	(2,221)			(219)	(166)	(18)	(14)			(2,628)	(2,401)
Interfund transfers out	5,203	1,561	17	78	336	154	341		130	19	*	*
Net transfer to non-expendable funds	247	5			57	58					304	63
Transfer to pension plan reserve	231	212									231	212
	82,366	76,550	8,535	8,106	7,346	4,806	3,946	3,558	14,669	10,663	110,835	101,871
CHANGES IN FUND BALANCES												
Change during year	(4,130)	726	(473)	(128)	3,477	123	21	129	(1,386)	(27)	(2,491)	823
Change in appropriations(Statement 3)	4,042	(1,444)					97	(265)	1,511	(541)	5,650	(2,250)
Net Increase (Decrease) During Year	(88)	(718)	(473)	(128)	3,477	123	118	(136)	125	(568)	3,159	(1,427)
Fund Balance at Beginning of Year	209	927	1,670	1,798	2,131	2,008	(67)	69	1,934	2,502	5,877	7,304
Fund Balance at End of Year	$ 121	$209	$1,197	$1,670	$5,608	$2,131	$ 51	$ (67)	$2,059	$1,934	$9,036	$5,877

*Interfund transfers are excluded from totals.

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PROVINCE OF BRITISH COLUMBIA

SIMON FRASER UNIVERSITY

Statement of Changes in Appropriated Expendable Funds
For the Year Ended March 31, 1986
(thousands of dollars)

	General Operating	Ancillary Enterprises	Capital	Total 1986	Total 1985
Released from prior year's appropriation	$(8,750)	$(385)	$(2,389)	$(11,524)	$(6,457)
Appropriations for the year	4,708	288	878	5,874	8,707
Change in appropriations	(4,042)	(97)	(1,511)	(5,650)	2,250
Fund Balance at beginning of year	9,695	439	2,796	12,930	10,680
Appropriated Fund Balance at end of year	$5,653	$342	$1,285	$7,280	$12,930
DETAIL OF APPROPRIATED BALANCE AT END OF YEAR					
Provision for non-recurring expenditures	$1,503			$ 1,503	$ 1,388
Provision for authorized projects			$1,285	1,285	2,796
Provision for equipment replacement and capital improvements		$342		342	439
Provision for annualized costs	414			414	461
Authorized allocations to following fiscal year	600			600	673
Provision for research grants carryover	797			797	741
Reserve for self-insurance	200			200	200
Provision for library systems (GEAC)	249			249	999
Provision for specific expenditure	1,790			1,790	4,615
Provision for contingencies	100			100	618
	$5,653	$342	$1,285	$ 7,280	$12,930

Statement 4

SIMON FRASER UNIVERSITY

Statement of Changes in Non-Expendable Funds
For the Year Ended March 31, 1986
(thousands of dollars)

	Student Loan	Endowment	Total 1986	Total 1985
ADDITIONS TO FUND				
Gifts, grants and bequests		$535	$535	$1,478
Province of British Columbia				100
Interfund transfers in		337	337	63
Total additions		872	872	1,641
DEDUCTIONS FROM FUND				
Interfund transfers out		33	33	
Net increase during the year		839	839	1,641
Fund balance at beginning of year	$83	4,579	4,662	3,021
Fund balance at end of year	$83	$5,418	$5,501	$4,662

SIMON FRASER UNIVERSITY

Statement of Changes in Equity in Plant Assets
For the Year Ended March 31, 1986
(thousands of dollars)

	1986	1985
EQUITY INCREASED BY		
Additions to plant assets		
Capitalized acquisitions		
- Capital Fund	$ 4,950	$ 1,849
Equipment expensed when acquired		
-Capital Fund	1,928	1,467
-Operating Fund	1,010	288
-Sponsored Research Fund	836	1,103
-Specific Purpose Fund	771	364
Library acquisitions expensed when acquired		
-Operating Fund	1,667	1,672
-Specific Purpose Fund	27	21
	11,189	6,764
Repayments of capital borrowings from provincial government grants	1,089	1,015
Interest earned on sinking fund	521	420
Ancillary enterprise operations	28	27
	12,827	8,226
EQUITY DECREASED BY		
Net capital borrowings	3,006	1,299
Equipment written off	1,838	1,844
Library dispositions	46	94
	4,890	3.237
Net increase during year	7,937	4,989
Equity at beginning of year	96,558	91,569
Equity at end of year	$104,495	$96,558

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PROVINCE OF BRITISH COLUMBIA

SIMON FRASER UNIVERSITY

NOTES TO FINANCIAL STATEMENTS

For the Year Ended March 31, 1986

1) Significant Accounting Policies

a) General

These financial statements have been prepared in accordance with accounting principles generally accepted for universities and with reference to the "Guide to Accounting Principles, Practices and Standards of Disclosure for Universities and Colleges of Canada", published in 1984 by the Canadian Association of University Business Officers (CAUBO).

b) Fund Accounting

Fund accounting procedures are employed in order to recognize restrictions imposed on the use of resources. Under these procedures, resources are classified into funds in accordance with objectives authorized by the Board of Governors or otherwise specified.

Funds have also been designated as expendable or non-expendable. Expendable funds may be expended within applicable restrictions. Non-expendable funds are maintained to generate investment income or to provide student loans.

Expendable funds:

- General Operating
 Funds for general operations of the University under the direction of the Board of Governors.

- Specific Purpose
 Funds restricted externally or internally for specific projects and purposes.

- Sponsored Research
 Funds in the form of grants, research contracts and gifts designated for the support of research activities.

- Ancillary Enterprises
 Funds for the residences and bookstore, which provide goods and services supplementary to the primary functions of teaching and research. These enterprises operate on a self-supporting basis.

- Capital
 Funds provided for the acquisition of capital assets, major renovations, and repayment of long term debt.

Non-expendable funds

- Endowment
 Funds maintained as principal to generate income for defined purposes.

- Student Loan
 A revolving fund from which short-term loans are made to students.

c) Accrual Accounting

The University follows the accrual basis of accounting as recommended by CAUBO. Revenue is recorded when received or receivable and expenditures when goods or services are received, except that pension payments resulting from early retirement agreements are expensed as payments are made to retired employees or as annuities are purchased on their behalf.

d) Appropriations

Appropriations are established by the Board of Governors to provide for specific requirements in subsequent fiscal years. These appropriations are released when the related expenditures have been made.

e) Inventories

Inventories of supplies are stated at cost. Inventories of merchandise held for resale are stated at the lower of cost and net realizable value.

f) Plant Assets

Plant asset expenditures of all funds are recorded in the Statement of Revenue and Expenditures and Changes in Expendable Fund Balances. The capital assets are also recorded at cost on the Balance Sheet, with offsetting credits in the Equity in Plant Assets account. No provision is made for depreciation of plant assets.

The asset balances at 31 March 1986 represent:

a) Land and buildings
b) Equipment - items acquired in the current year and the seven preceding years
c) Library acquisition - Library holdings since inception, net of deduction for estimated disposal and losses

No amount is shown on the Balance Sheet for the land initially granted to the university without cost. Subsequent acquisitions have been recorded at fair market value at the time of acquisition.

g) Capital Transactions

Certain capital expenditures are financed under borrowing authority granted by the Province of British Columbia. These authorized borrowings are shown under "Revenue and Other Additions" in Statement 2. Payments for capitalized assets and repayment of debt are shown under "Expenditures and Other Deductions".

h) Cooperative Undertakings

i) The University is one of five university members of the Western Canadian Universities Marine Biological Society (WCUMBS) which operates a research station at Bamfield, British Columbia. The University's annual operating grant to the Society (1986 - $130,000; 1985 - $130,000) is recorded as an expenditure from the General Operating Fund.

ii) The University is one of four university members of a consortium which manages the Tri-Universities Meson Facility (TRIUMF) at the University of British Columbia. The facility is funded almost entirely by federal government grants and the University makes no direct financial contribution.

Initial contributions in the amount of $347,000 to WCUMBS for capital acquisitions are recorded as plant assets on the Balance Sheet. No other amounts pertaining to WCUMBS and TRIUMF are included.

2) Loans Payable

Loans are payable to the Bank of Nova Scotia ($900,000) and the Province of British Columbia ($1,384,000) at prime interest rate or lower. These loans represent interim financing for capital projects as authorized by the provisions of the Educational Institution Capital Finance Act or the Financial Administration Act. They will be retired from proceeds of long term debt.

3) Long Term Debt

Long term debt as at March 31 consists of the following:

A. Canada Mortgage and Housing Corporation

Maturity Date	Interest Rate	Balance Outstanding 1986	Balance Outstanding 1985	Annual Payment Including Interest Until Maturity
		(thousands of dollars)		
Jan 1, 2017	5.375%	$ 187	$ 188	$ 12
Jan 2, 2018	5.875%	932	942	65
Jul 1, 2019	6.875%	2,225	2,242	171
Total		$3,344	$3,372	$248

The debentures are secured by a floating charge on the respective student residences, recorded at the historical cost of $6,142,000.

B. Capital Financing Authority

Debenture Number	Maturity Date	Interest Rate	Face Value	Sinking Fund Balance	Balance Outstanding 1986	Balance Outstanding 1985	Annual Payments Until Maturity
			(thousands of dollars)				
DUR #14	Dec 1, 1986	16.875%	$ 292	$ 104	$ 188	$ 218	$ 82
DUR #28	Dec 10, 1990	9.75	2,927	-	2,927	-	393
DUR #27	Jul 6, 1991	13.50	458	56	402	458	113
DUR # 1	Jun 9, 1998	9.41	2,000	606	1,394	1,498	237
DUR # 2	Jan 10, 1999	9.82	2,000	518	1,482	1,572	245
DUR # 3	Mar 9, 1999	10.16	3,700	902	2,798	2,954	466
DUR # 4	Apr 10, 1999	10.26	800	201	599	637	102
DUR # 5	Nov 9, 1999	10.68	3,700	763	2,937	3,085	485
DUR # 6	Mar 10, 2000	12.74	2,000	418	1,582	1,668	304
DUR # 7	Sep 10, 2000	12.55	2,100	354	1,746	1,825	315
DUR # 8	Mar 10, 2001	13.13	210	34	176	184	33
DUR # 9	Apr 10, 2001	13.66	2,500	289	2,211	2,294	396
DUR #10	May 8, 2001	13.69	2,280	257	2,023	2,094	362
DUR #11	Jul 10, 2001	14.81	1,880	208	1,672	1,730	320
DUR #12	Oct 9, 2001	17.00	1,000	110	890	922	192
DUR #13	Mar 10, 2002	16.10	1,756	184	1,572	1,626	321
DUR #15	May 10, 2002	15.25	1,980	161	1,819	1,878	345
DUR #16	Jun 10, 2002	14.96	1,000	81	919	949	171
DUR #17	Aug 10, 2002	16.53	1,400	111	1,289	1,330	262
DUR #18	Oct 8, 2002	14.16	2,000	156	1,844	1,902	327
DUR #19	Nov 10, 2002	13.43	1,607	124	1,483	1,529	251
DUR #20	Dec 10, 2002	12.01	1,000	77	923	952	142
DUR #21	Apr 5, 2003	11.59	2,000	105	1,895	1,950	276
DUR #22	May 2, 2003	11.53	2,545	132	2,413	2,482	349
DUR #23	Aug 2, 2003	11.51	1,000	50	950	976	137
DUR #24	Dec 1, 2003	11.79	1,000	48	952	977	140
DUR #25	Mar 1, 2004	12.13	2,099	99	2,000	2,053	300
DUR #26	Apr 2, 2004	12.60	1,000	25	975	1,000	148
			$48,234	$ 6,173	$42,061	$40,743	$7,214

Annual payments consist of interest and sinking fund payments which are financed by the Province of British Columbia. Payments made in 1985/86 totalled $6,818,000 (1984/85 $6,617,000). The payments to the sinking fund are based on the discounted present values required to fund the repayment of the debt. The sinking fund balance consists of total sinking fund installments to March 31, 1986 plus interest earned. Sinking fund payments during 1985/86 amounted to $1,089,000 (1984/85 $1,015,000), and interest earned for 1985/86 was $521,000 (1984/85 $420,000).

Debenture DUR #14 is expected to be refinanced on a long term basis when it matures on December 1, 1986. The current balance of $188,000 represents the Canadian equivalent of $161,000 U.S., based on the exchange rate at the date of issue. If this amount were based on the exchange rate prevailing on March 31, 1986, the Canadian equivalent would be $227,000.

The debentures are unconditionally guaranteed as to principal and interest by the Province of British Columbia.

4) Pension Plans

The University pension plans for administrative and union staff provide benefits based on years of service and the average of the best five consecutive years' salary. The last actuarial valuation as at January 1, 1983 showed that the minimum pension benefit liabilities of the plans were fully funded.

The University pension plan for academic staff generally provides benefits on a money-purchase basis but includes an option to members who were in the plan on March 20, 1973 to choose benefits based on years of service and the average of the best five consecutive years' salary. The last actuarial valuation as at January 1, 1983 indicated an actuarial liability due to plan amendments effective January 1, 1981. The reserve established to provide for this liability has been increased to $2,801,000 as at March 31, 1986 by application of the valuation rate of interest (9%) assumed by the plan actuary.

5) Early Retirement

Certain employees have opted for an early retirement provision offered by the university. The estimated cost of the pension enhancement as the result of this arrangement, in the amount of $3,130,000, has been transferred from the General Operating Fund to the Specific Purpose Fund from which future payments for this purpose will be made. Of this amount, $772,000 relates to employees retired in 1985/86, and $2,358,000 relates to employees to be retired in 1986/87.

6) Group Life Insurance/Disability Reserve

The reserve represents funds earmarked for self-insured liability relating to group life and long-term disability plans. In the opinion of management, this reserve is adequate.

7) Commitments - Capital Fund

Total commitments under contracts for capital projects amounted to $1,318,000 as at March 31, 1986 (March 31, 1985 $213,000).

8) Restatement of Comparative Figures

Certain 1985 figures in the financial statements have been restated in order to conform with the financial statement presentation adopted in 1986.

UNIVERSITIES COUNCIL

Morgan & Company
Chartered Accountants
1210 - 675 West Hastings Street
Vancouver, B C V6B 1N2
Telephone (604) 687-5841

AUDITORS' REPORT

The Members
Universities Council

We have examined the statement of financial position of the Universities Council as at March 31, 1986 and the statement of changes in operating fund balances for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Council as at March 31, 1986 and the results of its operations for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Vancouver, Canada

June 18, 1986

Chartered Accountants

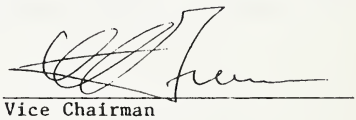
UNIVERSITIES COUNCIL
STATEMENT OF FINANCIAL POSITION
MARCH 31, 1986

	1986	1985
ASSETS		
Cash	$ 16,864	$ 16,335
Short term deposits	130,000	130,000
Account receivable		17
Furniture and equipment (Note 1)		
	146,864	146,352
Funds held for external organizations and others (Note 4)	23,012	96,128
	$169,876	$242,480
LIABILITIES		
Accounts payable	$ 16,459	$ 22,082
Unexpended funds held for external organizations and others (Note 4)	23,012	96,128
UNEXPENDED OPERATING FUNDS		
Fund balances:		
Unappropriated	24,349	18,439
Appropriated	106,056	105,831
	130,405	124,270
	$169,876	$242,480

Approved by:



Chairman



Vice Chairman

UNIVERSITIES COUNCIL
STATEMENT OF CHANGES IN OPERATING FUND BALANCES
FOR THE YEAR ENDED MARCH 31, 1986

	1986	1985
REVENUE		
Grant - Province of British Columbia	$530,700	$530,700
Interest earned	12,151	15,617
	542,851	546,317
EXPENDITURE		
Recurring		
Members' per diems	52,025	63,850
Employees' remuneration	255,142	251,599
Employee benefits	38,082	35,429
Travel, meetings and conferences	31,464	45,474
Administrative, office and library	47,462	48,838
Office rental	80,946	80,306
	505,121	525,496
Non-recurring		
Fees - independent consultants	9,000	10,116
Grants and subsidies	3,040	25,010
Furniture and equipment (Note 1)	304	4,853
One time payment - continuing staff	3,476	5,086
	15,820	45,065
	520,941	570,561
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURE	21,910	(24,244)
UNAPPROPRIATED FUND BALANCE, beginning of year	18,439	42,683
Appropriation - equipment renewal (Note 2)	16,000	-
UNAPPROPRIATED FUND BALANCE, end of year	$ 24,349	$ 18,439
APPROPRIATED FUND BALANCE, beginning of year	$105,831	140,745
Appropriation - equipment renewal	16,000	-
Expenditure - Strategic Planning Project	15,775	34,914
APPROPRIATED FUND BALANCES, end of year	$106,056	$105,831

UNIVERSITIES COUNCIL OF BRITISH COLUMBIA
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1986

1. SIGNIFICANT ACCOUNTING POLICIES

a) Furniture and equipment
Office furniture and equipment purchases are charged to expenditures when acquired. The cumulative cost of office furniture and equipment charged to expenditures since November 1, 1978 amounts to $54,422 (1985 - $54,118)

b) Appropriated fund balance
Unexpended operating funds are appropriated from time to time to provide for specific expenditures to be incurred in future periods.

2. APPROPRIATIONS

An appropriation for equipment renewal of $16,000 was established in 1985/86 to assist with future equipment needs and the implementation of an operating cost savings program associated with equipment purchases in lieu of leasing arrangements.

3. INCOME TAXES

The Universities Council is an agent of the Crown in right of the Province of British Columbia. As such no income taxes are payable.

4. FUNDS HELD FOR EXTERNAL ORGANIZATIONS AND OTHERS

The Universities Council acts as recipient and disbursing agent of grant funding provided by the Ministry of Universities, Science and Communications for certain external organizations and for designated projects or activities.

During the past year, the Universities Council as an agent of the Crown of the Province of British Columbia received $8,424,000 of private contributions for university funding and remitted these funds to the designated provincial universities.

5. COMMITMENT

The Universities Council has leased realty at an annual cost of approximately $75,000 to September 30, 1989.

6. STATEMENT OF CHANGES IN FINANCIAL POSITION

A Statement of Changes in Financial Position has not been prepared as its inclusion with these financial statements would not be meaningful.

UNIVERSITY OF BRITISH COLUMBIA

Province of British Columbia

Office of the
Auditor General
Province of British Columbia

8 Bastion Square
Victoria
British Columbia
V8V 1X4

AUDITOR'S REPORT

To the Chairman and Members of the Board of Governors of
The University of British Columbia, and

To the Minister of Post-Secondary Education
Province of British Columbia:

I have examined the balance sheet of the University of British Columbia as at 31 March 1986 and the following statements for the year then ended:

Statement 2 - Statement of changes in appropriated fund balances
Statement 3 - Statement of changes in unappropriated fund balances
Statement 4 - Statement of changes in specific purposes fund balance
Statement 5 - Statement of changes in sponsored research funds balance
Statement 6 - Statement of changes in ancillary enterprises fund balance
Statement 7 - Statement of changes in capital fund balance
Statement 8 - Statement of changes in student loan and endowment principal fund balances
Statement 9 - Statement of equity in plant assets

My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion these financial statements present fairly the financial position of the University as at 31 March 1986 and the results of its operations and the changes in its fund balances for the year then ended in accordance with accounting principles described in note 1 to the financial statements applied on a basis consistent with that of the preceding year.

Erma Morrison

Erma Morrison, F.C.A.
Auditor General

Victoria, British Columbia
20 June 1986

THE UNIVERSITY OF BRITISH COLUMBIA

BALANCE SHEET

AS AT MARCH 31, 1986

STATEMENT 1

(thousands of dollars)

ASSETS

		1986	1985
Cash and bank deposit notes		$ 10,696	$ 42,846
Investments at cost - (Note 1(j)) (market value $132,957- 1985 $ 83,001)		120,243	81,337
Accounts receivable		17,621	25,018
Prepaid expenses		1,872	-
Student loans receivable		480	523
Inventories		7,252	5,645
Investment in teaching facilities at associated hospitals	$ 11,358		
Less amortization	2,002	9,356	9,793
Plant assets at cost (Statement 9)			
Land and site improvements		35,115	29,221
Buildings		371,583	353,889
Equipment and furnishings		102,796	91,793
		$677,014	$640,065

LIABILITIES AND FUND BALANCES

		1986	1985
Accounts payable and accrued liabilities		$ 26,935	$ 26,251
Deferred income - fees and services		1,593	1,527
Loans and Promissory Notes - (Note 3)		28,786	19,139
Long-term debt - (Note 3)	$143,077		
Less sinking funds	15,126	127,951	118,360
		185,265	165,277
Group Life/Disability Insurance Reserve - (Note 7)		5,848	5,392
Fund balances:			
Expendable			
Appropriated (Statement 2)			
General purpose operating		1,319	1,898
Ancillary enterprises		570	359
Capital		4,000	4,233
		5,889	6,490
Unappropriated (Statement 3)			
General purpose operating		58	14
Specific purposes		15,657	17,202
Sponsored research		14,616	17,753
Ancillary enterprises		911	625
Capital		2,419	2,641
		33,661	38,235
Non-Expendable (Statement 8)			
Student loan		1,342	1,342
Endowment Principal		82,424	78,519
		83,766	79,861
Equity in plant assets (Statement 9)		362,585	344,810
		$677,014	$640,065

Approved

W.L. Sauder
Chairman, Board of Governors

A.B. Gellatly
Vice-President - Administration & Finance

(See accompanying notes to the financial statements)

THE UNIVERSITY OF BRITISH COLUMBIA

STATEMENT OF CHANGES IN APPROPRIATED FUND BALANCES

FOR THE YEAR ENDED MARCH 31, 1986 STATEMENT 2

(thousands of dollars)

	General Purpose Operating		Ancillary Enterprises		Capital	
	1986	1985	1986	1985	1986	1985
Balance, beginning of year	$ 1,898	$ 259	$ 359	$ 1,520	$ 4,233	$ 5,552
Deduct:						
Expended from prior years' appropriations (Statement 3)	1,898	259	359	1,520	4,233	5,552
	-	-	-	-	-	-
Add:						
Appropriations for the year (Statement 3)	1,319	1,898	570	359	4,000	4,233
Balance, end of year	$ 1,319	$ 1,898	$ 570	$ 359	$ 4,000	$ 4,233
Detail of year end balance						
Faculties and Department - operating expenses	$ 916	$ 1,037	$ -	$ -	$ -	$ -
Renovation projects	12	36	-	-	-	-
Early termination arrangments		362	-	-	-	-
Library books and periodicals	195	463	-	-	-	-
Equipment	-	-	-	-	172	470
Designated grants for research and system collaboration	196	-	-	-	-	-
Capital development and facilities	-	-	570	359	3,828	3,763
	$ 1,319	$ 1,898	$ 570	$ 359	$ 4,000	$ 4,233

(See accompanying notes to the financial statements)

THE UNIVERSITY OF BRITISH COLUMBIA

STATEMENT OF CHANGES IN UNAPPROPRIATED FUND BALANCES

FOR THE YEAR ENDED MARCH 31, 1986

STATEMENT 3

(thousands of dollars)

	General Purpose Operating		Specific Purposes	Sponsored Research	Ancillary Enterprises	Capital	Totals	
	1986	1985	1986	1986	1986	1986	1986	1985
			(Statement 4)	(Statement 5)	(Statement 6)	(Statement 7)		
Revenue and other additions:								
Government grants and contracts								
Government of Canada	$ -	$ -	$ 2,056	$ 37,338	$ -	$ -	$ 39,394	$ 45,966
Province of British Columbia	163,661	171,678	4,676	5,484	-	23,590	197,411	201,339
Early termination	-	2,345	-	-	-	-	-	2,345
Quality research	750	-	-	-	-	-	750	-
University adjustment	5,756	-	-	-	-	-	5,756	-
Engineering expansion	750	-	-	-	-	-	750	750
Municipalities	-	-	3	62	-	-	65	28
Other governments	-	-	61	24	-	-	85	60
Foreign governments	-	-	203	1,574	-	-	1,777	1,393
Student fees	39,713	36,558	282	-	-	-	39,995	36,558
Bequests, donations and non government grants	-	-	5,442	14,842	-	2,363	22,647	24,366
Sales and services	794	492	1,184	295	36,347	-	38,620	31,054
Income from investments	3,099	3,122	9,643	-	190	207	13,139	13,392
Loans	-	-	-	-	300	11,967	12,267	6,532
	214,523	214,195	23,550	59,619	36,837	38,127	372,656	365,783
Expenses and other deductions:								
Salaries - Academic	94,534	94,217	3,478	10,650	-	-	108,662	109,325
- Student service	5,286	4,908	2,800	7,605	-	-	15,691	13,796
- Staff	61,533	62,370	2,904	15,232	10,493	143	90,305	88,077
	161,353	161,495	9,182	33,487	10,493	143	214,658	211,198
Benefits	19,699	19,395	455	2,082	1,006	2	23,244	22,597
Travel, field trips, moving	2,383	2,314	996	3,830	-	11	7,220	7,132
Library acquisitions	4,887	4,157	339	363	-	1	5,590	4,770
Operational supplies and expenses	12,119	12,793	3,728	11,378	4,378	990	32,593	29,353
Furniture and equipment	4,100	3,326	2,663	8,193	481	1,773	17,210	14,898
Utilities	9,313	8,744	99	458	724	65	10,659	10,311
Renovations and alterations	3,153	2,536	267	459	1,618	3,075	8,572	6,323
Scholarships, fellowships and bursaries	3,167	3,682	3,606	887	-	-	7,660	7,366
Professional fees	892	1,080	1,054	814	-	1,913	4,673	3,412
Cost of goods sold	-	-	-	-	13,608	-	13,608	11,688
Debt servicing	-	-	-	-	3,816	15,773	19,589	17,546
Building contracts	-	-	-	-	-	16,318	16,318	21,289
Internal cost recoveries	(1,066)	(1,007)	122	944	-	-	-	-
External cost recoveries	(3,634)	(4,219)	(1,121)	(138)	-	-	(4,893)	(5,790)
	216,366	214,296	21,390	62,757	36,124	40,064	376,701	362,093
Change in year	(1,843)	(101)	2,160	(3,138)	713	(1,937)	(4,045)	3,690
Add:								
Expended from prior years' appropriations (Statement 2)	1,698	259	-	-	359	4,233	6,490	7,331
Interfund transfers	1,308	680	(3,705)	1	(216)	1,482	(1,130)	(371)
	1,363	838	(1,545)	(3,137)	856	3,778	1,315	10,650
Deduct:								
Appropriations for the Year (Statement 2)	1,319	1,898	-	-	570	4,000	5,889	6,490
Add:								
Unappropriated Fund balance, beginning of year	14	1,074	17,202	17,753	625	2,641	38,235	34,075
Unappropriated Fund balance, end of year	$ 58	$ 14	$ 15,657	$ 14,616	$ 911	$ 2,419	$ 33,661	$ 38,235
							(Statement 1)	(Statement 1)

(See accompanying notes to the financial statements)

THE UNIVERSITY OF BRITISH COLUMBIA

STATEMENT OF CHANGES IN SPECIFIC PURPOSES FUND BALANCE

FOR THE YEAR ENDED MARCH 31, 1986 STATEMENT 4

(thousands of dollars)

	Trust	Endowment	Total 1986	Total 1985
Revenue and other additions:				
Government of Canada	$ 2,056	$ -	$ 2,056	$ 2,037
Province of British Columbia	4,676	-	4,676	4,178
Municipalities	3	-	3	8
Other governments	61	-	61	20
Foreign governments	203	-	203	44
Student fees	282	-	282	-
Individuals	906	-	906	798
Business and industry	553	-	553	577
Foundations and associations	3,983	-	3,983	3,381
Sales and services	1,184	-	1,184	960
Income from investments	104	9,539	9,643	9,285
	14,011	9,539	23,550	21,288
Expenses and other deductions:				
Salaries - Academic	3,122	356	3,478	3,955
- Student service	2,757	43	2,800	1,960
- Staff	2,822	82	2,904	2,367
	8,701	481	9,182	8,282
Benefits	429	26	455	444
Travel, field trips, moving	887	109	996	1,269
Library acquisitions	275	64	339	271
Operational supplies and expenses	3,165	563	3,728	3,124
Furniture and equipment	2,452	211	2,663	2,151
Utilities	93	6	99	87
Renovations and alterations	258	9	267	130
Scholarships, fellowships and bursaries	1,256	2,350	3,606	2,945
Professional fees	1,035	19	1,054	245
Internal cost recovery - overhead	122	-	122	49
External cost recoveries	(1,121)	-	(1,121)	(1,443)
	17,552	3,838	21,390	17,554
Change in year	(3,541)	5,701	2,160	3,734
Interfund Transfers	1,976	(5,681)	(3,705)	(2,340)
	(1,565)	20	(1,545)	1,394
Unappropriated fund balance beginning of year	9,836	7,366	17,202	15,808
Unappropriated fund balance end of year	$ 8,271	$ 7,386	$15,657	$17,202
			(Statement 3)	(Statement 3)

(See accompanying notes to the financial statements)

Statement of Changes in Specific Purposes Fund Balance

THE UNIVERSITY OF BRITISH COLUMBIA

STATEMENT OF CHANGES IN SPONSORED RESEARCH FUNDS BALANCE

FOR THE YEAR ENDED MARCH 31, 1986 STATEMENT 5

(thousands of dollars)

	1986		1985	
Revenue and other additions:				
Government of Canada				
Natural Science and Engineering Research Council	$17,607		$21,207	
Medical Research Council	10,999		12,853	
Social Sciences and Humanities Research Council	1,723		2,032	
Health & Welfare Canada	1,307		1,363	
Other departments	5,702	$37,338	6,470	$43,925
Province of British Columbia				
Health Care Research Foundation	2,891		2,854	
Science Council	1,156		963	
Other departments	1,437	5,484	1,023	4,840
Municipalities		62		20
Other Provincial governments		24		40
United States government and agencies		1,474		1,323
Foreign governments		100		26
Individuals		183		170
Business and industry		4,948		3,110
Associations, clubs and societies		5,758		5,342
Foundations		3,953		4,108
Miscellaneous services		295		192
		59,619		63,096
Expenses and other deductions:				
Salaries - Academic	10,650		11,153	
- Student service	7,605		6,928	
- Staff	15,232	33,487	14,081	32,162
Benefits		2,082		1,927
Travel, field trips, moving		3,830		3,538
Library acquisitions		363		342
Operational supplies and expenses		11,378		10,660
Furniture and equipment		8,193		8,260
Utilities		458		411
Renovations and alterations		459		411
Scholarships, fellowships and bursaries		887		739
Professional fees		814		939
Internal cost recovery - overhead		944		958
External cost recoveries		(138)		(128)
		62,757		60,219
Change in year		(3,138)		2,877
Interfund transfers		1		(11)
		(3,137)		2,866
Fund balance, beginning of year		17,753		14,887
Fund balance, end of year		$14,616		$17,753
		(Statement 3)		(Statement 3)

(See accompanying notes to the financial statements)

Statement of Changes in Sponsored Research Funds Balance

UNIVERSITY OF BRITISH COLUMBIA

STATEMENT OF CHANGES IN ANCILLARY ENTERPRISES FUND BALANCE

FOR THE YEAR ENDED MARCH 31, 1986

STATEMENT 6

(thousands of dollars)

	Bookstore	Food Services Campus	Food Services Residences	Student Housing and Conferences	University Farm Oyster River	Parking	Health Sciences Parkade	Tennis Centre	Athletics & Sports Svs.	UBC Press	Satellite Comms.	Total 1986	Total 1985
Revenue:													
Sales and services	$13,156	$ 5,180	$ 3,305	$11,056	$ 787	$ 783	$ 350	$ 69	$ 1,476	$ 170	$ 15	$36,347	$29,410
Income from investments	-	18	28	107	-	-	-	-	-	37		190	245
Loans	-	300	-	-	-	-	-	-	-	-	-	300	57
	13,156	5,498	3,333	11,163	787	783	350	69	1,476	207	15	36,837	29,712
Expenses:													
Cost of goods sold	10,115	1,844	1,649	-	-	-	-	-	-	-	-	13,608	11,688
Salaries - staff	1,972	2,370	1,159	2,595	279	516	94	27	1,065	416	-	10,493	8,910
Benefits	206	246	99	220	31	52	10	-	95	47	-	1,006	809
Operational supplies and expenses	405	421	174	2,289	229	51	27	24	1,002	468	-	5,090	3,185
Furniture and equipment	34	86	17	130	104	3	-	32	59	11	5	481	339
Utilities	59	7	25	541	23	-	30	12	22	5	-	724	1,050
Renovations and alterations	44	157	44	1,244	44	4	38	32	10	1	-	1,618	1,931
Debt servicing	643	122	46	2,969	3	-	-	21	-	-	12	3,816	2,761
Contribution from general purposes	-	-	-	-	12	-	-	-	(524)	(200)	-	(712)	(1,021)
	13,478	5,253	3,213	9,988	725	626	199	148	1,729	748	17	36,124	29,652
Change in year	(322)	245	120	1,175	62	157	151	(79)	(253)	(541)	(2)	713	60
Add:													
Expended from prior year's appropriations (Statement 2)	-		13	346	-	-	-	-	-	-	-	359	1,520
Interfund Transfers	-	(200)		(550)	-	-	-	-	-	534	-	(216)	(1,707)
	(322)	178		971	62	157	151	(79)	(253)	(7)	(2)	856	(127)
Deduct:													
Appropriations for the year (Statement 2)	-	-		(570)	-	-	-	-	-	-	-	(570)	(359)
Unappropriated fund balance, beginning of year	(884)	353		1,200	(44)	-	-	-	-	-	-	625	1,111
Unappropriated fund balance, end of year	($ 1,206)	$ 531		$ 1,601	$ 18	$ 157	$ 151	($ 79)	($ 253)	($ 7)	($ 2)	$ 911	$ 625
												(Statement 3)	(Statement 3)

(See accompanying notes to the Financial Statements)

THE UNIVERSITY OF BRITISH COLUMBIA

STATEMENT OF CHANGES IN CAPITAL FUND BALANCE

FOR THE YEAR ENDED MARCH 31, 1986 STATEMENT 7

(thousands of dollars)

	1986		1985	
Revenue and other additions:				
Government of Canada		$ -		$ 4
Province of British Columbia				
Debt servicing	$ 15,292		$ 14,665	
Financing Authority projects	7,548		5,978	
Capital grants	750	23,590	750	21,393
Individuals		394		346
Business and industry		12		41
Foundations and associations		1,957		6,493
Income from investments		207		740
Loans		11,967		8,475
		38,127		37,492
Expenses and other deductions:				
Salaries - staff		143		349
Benefits		2		22
Travel, field trips, moving		11		11
Library acquisitions		1		-
Operational supplies and expenses		990		612
Furniture and equipment		1,773		822
Utilities		65		19
Renovations and alterations		3,075		1,315
Professional fees		1,913		1,148
Debt servicing		15,773		14,785
Building contracts		16,318		21,289
		40,064		40,372
Change in year		(1,937)		(2,880)
Add:				
Expended from prior year's appropriations (Statement 2)		4,233		5,552
Interfund Transfers		1,482		3,007
		3,778		5,679
Deduct:				
Appropriations for the year (Statement 2)		4,000		4,233
Unappropriated fund balance, beginning of year		2,641		1,195
Unappropriated fund balance, end of year		$ 2,419		$ 2,641
		(Statement 3)		(Statement 3)

(See accompanying notes to the financial statements)

Statement of Changes in Capital Fund Balance

THE UNIVERSITY OF BRITISH COLUMBIA

STATEMENT OF CHANGES IN STUDENT LOAN AND ENDOWMENT PRINCIPAL FUND BALANCES

FOR THE YEAR ENDED MARCH 31, 1986 STATEMENT 8

(thousands of dollars)

	Student Loan	Endowment Principal	Total 1986	Total 1985
Revenue and other additions:				
Gifts and bequests	$ (3)	$ 2,165	$ 2,162	$ 1,919
Interest on loans	8	-	8	7
Investment interest	79	-	79	33
Gain on sale of investments	-	532	532	2,003
	84	2,697	2,781	3,962
Expenses and other deductions:				
Loans written off	6	-	6	5
Change in year	78	2,697	2,775	3,957
Fund balance, beginning of year	1,342	78,519	79,861	75,533
Interfund transfers	(78)	1,208	1,130	371
Fund balance, end of year	$ 1,342	$ 82,424	$ 83,766	$ 79,861
	(Statement 1)	(Statement 1)		

(See accompanying notes to the financial statements)

Statement of Changes in Student Loan and Endowment Principal Fund Balances

THE UNIVERSITY OF BRITISH COLUMBIA

STATEMENT OF EQUITY IN PLANT ASSETS

FOR THE YEAR ENDED MARCH 31, 1986

STATEMENT 9

(thousands of dollars)

		Financed by			Total	
	Plant Assets	Ancillary Enterprises	Authorized Capital Borrowings	Temporary Cash Resources	1986	1985
Balance, beginning of year	$474,903	($ 35,827)	($ 93,892)	($ 374)	$344,810	$324,909
Add:						
Capital funds expenditures (Statement 7)	40,064	-	-	-	40,064	40,372
Equipment	15,526	-	-	-	15,526	14,016
Property Donated	1,200	-	-	-	1,200	-
Projects advanced from cash (Note 5)	819	-	-	-	819	374
Canada Mortgage & Housing Corp. - Principal repayment	-	183	-	-	183	172
British Columbia Educational Institutions Capital Financing Authority Sinking Fund -						
Interest earned	-	-	1,344	-	1,344	1,073
Principal repayment	-	-	2,647	-	2,647	2,391
	532,512	(35,644)	(89,901)	(374)	406,593	383,307
Deduct:						
Renovation and other amounts not capitalized	1,681	-	-	-	1,681	2,306
Capital Borrowing & Debt servicing not capitalized	15,292	-	-	-	15,292	14,785
Sinking fund increase related to teaching facilities at associated hospitals	-	-	437	-	437	426
Equipment write off	6,045	-	-	-	6,045	6,296
Net increase in borrowings	-	12,221	7,594	738	20,553	14,684
	23,018	12,221	8,031	738	44,008	38,497
Balance, end of year						
Land and site improvements $ 35,115						
Buildings 371,583						
Equipment and furnishings 102,796	$509,494	($ 47,865)	($ 97,932)	($ 1,112)	$362,585	$344,810
	(Statement 1)				(Statement 1)	(Statement 1)

(See accompanying notes to the financial statements)

THE UNIVERSITY OF BRITISH COLUMBIA

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 1986

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

(a) General

These financial statements have been prepared in accordance with accounting principles generally accepted for universities and with reference to the "Guide to Accounting Principles, Practices and Standards of Disclosure for Universities and Colleges of Canada", published in 1984 by the Canadian Association of University Business Officers (C.A.U.B.O.).

(b) Fund Accounting

Transactions of the University are accounted for by fund accounting procedures in order to recognize various restrictions imposed on the use of available resources. Under these procedures, revenues and their related expenses are accounted for in separate funds in accordance with objectives specified by donors, limitations and restrictions imposed by sources outside the University, and determinations made by the Board of Governors.

For financial statement reporting purposes the Balance Sheet combines the assets and liabilities of all funds. These funds are either expendable or non-expendable. An expendable fund is one that may be used in its entirety within the restrictions established by the donor or agency providing the funds. A non-expendable fund is one in which at least the original fund balance cannot be expended.

The statements of changes in fund balances show the total income and expenses of the University, after elimination of inter-fund transactions. The University has classified accounts with similar characteristics into major funds as follows:

- the General Purpose Operating Fund consists of those revenues and expenses used in the general operations of the University.

- the Specific Purposes Fund consists of those revenues and expenses used for projects stipulated by the donors and includes income earned on the Endowment Principal Fund.

- the Sponsored Research Fund consists of funds specifically identified for research or related activities as approved by government granting agencies, research institutes and other public and private organizations.

- Ancillary Enterprises provide goods and services to the University community and are expected to operate on a break-even basis. Any deficits must be recovered from future operations and unexpended balances are carried forward for replacement and upgrading of facilities in these ancillary operations. These enterprises are assessed most overhead costs associated with their operations including payments of principal and interest on all long-term debt. Capital additions for these operations are recorded in the statement of changes in capital fund balances in the year in which they are incurred and are included as capital assets, at cost, on the balance sheet.

- the Capital Fund consists of gifts, grants, interest and authorized capital borrowing received for the purpose of acquiring capital assets including those pertaining to ancillary enterprises. These funds may also be used for major renovations, alterations and capital project administrative costs.

- the Student Loan Fund consists of gifts and bequests received for the purpose of making loans to students, plus interest earned thereon.

- the Endowment Principal Fund consists of gifts and bequests received with the stipulation that these funds be invested and the income earned be expended for designated purposes.

(c) Accrual Accounting

The University follows the accrual basis of accounting as recommended by the Canadian Association of University Business Officers (CAUBO) by recording income when earned and expenses when materials or services are received, except that payments resulting from early retirement agreements are expensed as payments are made. Encumbrances, including commitments for goods and services not yet received, are not included in expenses.

(d) Appropriations

The University maintains a general operating budget programme which, subject to annual approval of the Board of Governors, allows faculties to carry forward unexpended funds into the subsequent fiscal year up to a maximum of 1% of the budget allocation for the

current year. In addition, the University provides appropriations at the fiscal year end for acquisition of plant assets, replacement of equipment and furnishings, renovations, and for outstanding commitments on library acquisitions.

(e) Inventories

Inventories of merchandise held for resale are stated at the lower of cost and net realizable value. Supplies inventories are recorded at cost.

(f) Investment in Teaching Facilities at Associated Hospitals

The investment represents the funds advanced for teaching facilities at associated hospitals, for which the University has no legal ownership. This investment is being amortized by an amount equal to the contribution to the sinking fund to retire the related long-term debt.

(g) Plant Assets

Expenditures for the acquisition of plant assets are shown on Statement 3 and supporting Statements 4 to 7 inclusive according to the source of funding from which the expenditures were incurred. All plant assets are then shown on the Balance Sheet at cost. Plant assets that are donated for use in operations are recorded directly on the Balance sheet at market value at date of acquisition. In accordance with approved university accounting principles, depreciation of buildings and equipment is not recorded. However, equipment is assumed to have an average useful life of eight years and is deleted as a plant asset entirely in the ninth year. The campus land which was Crown-granted to the University in 1910 is recorded at $1.

(h) Library Acquisitions

Library books and periodicals are expensed in the year of acquisition.

(i) Internal Financing

The University follows a practice of making temporary cash advances to operating departments in order to finance the acquisition of certain plant assets over a period of years. As these advances are recovered the appropriate funds are charged and the repayments are recorded as equity in plant assets. Interest is charged to the fund based on the rate of return on investments held for general purposes. See Note 5.

(j) Investments

Investments relate to the investment of non-expendable endowment principal, student loan, and specific purpose funds. The investments are not available for general operating purposes.

Investments are recorded at cost. Gains or losses on sales of investments are recognized in the year of disposal and are included in the non-expendable Endowment Principal Fund balance.

(k) Endowment Principal

The balance of endowment principal on the university's books at March 31, 1986 amounts to $82,424,490. Annual income earned on this sum is used for a variety of purposes as prescribed by the terms of each endowment. In addition, the Vancouver Foundation has a number of endowment funds held for the benefit of the University totalling $3,448,734, of which $1,694,083 was provided by U.B.C.. The income, which amounted to $267,254, was paid to the University for specific purposes. Funds managed by the Vancouver Foundation are not under the University's ownership or control.

(l) Campus Organizations and Agencies

The financial statements of The University of British Columbia do not include the income or expense of the Health Sciences Centre Hospital, Aquatic Centre, Thunderbird Winter Sports Centre, Faculty Club, Thea Koerner House Graduate Student Centre or Triumf, but buildings and initial contents are included in the balance sheet.

(m) Joint Ventures

(i) The University is one of five university members of the Western Canadian Universities Marine Biological Society which operates a research station at Bamfield, B.C. The University's annual operating grant to the Society (1986 - $129,886; 1985 - $135,586) is recorded as an expenditure from the General Operating Fund.

(ii) The University is one of four university members of a consortium which manages the Tri-Universities Meson Facility at the University of British Columbia. The facility is funded almost entirely by Federal Government grant and the University makes no direct financial contribution.

No monetary gain is expected from these joint ventures.

NOTE 2 INTERFUND TRANSFERS

Interfund transfers comprise the following:

- The General Purpose Operating Fund has been increased $1,308,173 by the transfer from the Specific Purposes Fund of $1,001,066 unexpended income earned on endowment funds and $307,107 unexpended donations.

- The Endowment Principal Fund has been increased $1,208,503 by the transfer from the Specific Purposes Fund of $1,571,680 unexpended income earned on endowment funds and $200,315 unexpended donations, the transfer from the Student Loan Fund of $7,624 and a transfer to the Capital Fund of $571,116.

- The Capital Fund has increased $1,480,744, representing $750,774 transferred from the Ancillary Enterprises Fund to assist with the financing of the Gage Low Rise and Acadia Park Housing Projects and Bustop alterations, $571,116 from the Endowment Principal Fund and $158,854 from unexpended income earned on endowment funds to assist with financing of the Shaughnessy/Grace/Children's Research Facilities.

- The Specific Purpose Fund-Trust has increased $1,975,901 due to a transfer from endowment income of $2,898,414 to cover expenses in the University Development Fund and $49,000 to cover other expenses, a transfer of $70,237 from the Student Loan Fund, less the transfer to Endowment Principal Fund of $200,315 of unexpended donations, a transfer to the General Purposes Operating Fund of $307,107 and a transfer to Ancillary Enterprises Fund of $534,328.

- The Ancillary Enterprises Fund has decreased $216,446 by the transfer to the Capital Fund of $750,774 less the transfer from the Specific Purposes Fund - Trust of $534,328.

NOTE 3 LOANS, PROMISSORY NOTES AND LONG-TERM DEBT

	Principal	
	1986	1985
Loans & Promissory Notes		
Loans		
Under the University Act	$ -	$ 928,257
Under the Educational Institution Capital Finance Act	6,262,152	6,867,168
	6,262,152	7,795,425
Promissory Notes		
To the Province of British Columbia	22,524,162	11,343,343
(Statement 1)	$ 28,786,314	$ 19,138,768

Under the terms of the Financial Administration Act, the University received approval to participate in the Province's short-term promissory note (off-lending) program for ancillary capital projects.

	Annual Payments Including Interest 1986/87	Principal 1986	Principal 1985
Long-term Debt			
Canada Mortage and Housing Corporation 5.125% to 7.875% due 2012 to 2023 inclusive	$ 1,517,555	$ 20,340,616	$ 20,523,292
British Columbia Educational Institutions Capital Financing Authority 9.410% to 17.510% due 1986 to 2004 inclusive	18,146,676	116,737,000	107,971,300
Province of B.C. Debenture	596,760	5,000,000	-
Forgiveable loan from Private Donor due 1994	-	1,000,000	1,000,000
(Statement 1)		$143,077,616	$129,494,592

Under the authority of the Educational Institution Capital Finance Act, the University has financed certain capital facilities of the University and teaching facilities at associated hospitals with bank demand loans. These loans are then refinanced through debentures issued by the University to the British Columbia Educational Institutions Capital Financing Authority (B.C.E.I.C.F.A.). Funds are received from the Province of British Columbia to fully meet the interest and sinking fund payments. The actual payments to the sinking fund held by the B.C.E.I.C.F.A. are based on the discounted present values required to fully fund the repayment of the debentures by their respective maturity dates. These debentures can be recalled by the B.C.E.I.C.F.A. by giving not less than five months notice in writing.

NOTE 4 COMMITMENTS

There are no commitments under capital contracts at March 31, 1986. (1985 - $11,227,256).

A number of early termination arrangements have been made with academic and support staff which involve a commitment of approximately $4,500,000. These commitments are payable in subsequent years.

NOTE 5 ADVANCES FOR PLANT ASSETS

The University has utilized temporary cash resources to finance the purchase of plant assets as follows:

	April 1,1985	Repayment	Advances	March 31,1986
Forestry Container Nursery	$ 25,452	$ 31,827	$217,159	$ 210,784
Tennis Centre	218,496	-	-	218,496
Satellite Communications System	131,184	-	(40,388)	90,796
Dental Clinic/Student Health Services Computer	-	50,000	90,939	40,939
Bookstore Computer	-	-	397,514	397,514
PBX Telex	-	-	154,300	154,300
	$375,132	$ 81,827	$819,524	$1,112,829

It is anticipated that the total of $1,112,829 will be recovered from operating net margins of these activities in future years and will be reflected as equity in plant assets when recovered. In the financial statements the advances and repayments in the year are disclosed in the statement of equity in plant assets (Statement 9).

NOTE 6 PENSION PLANS

The University has two pension plans which are administered by separate trustees/directors. The faculty pension plan provides benefits on a money purchase basis, with a minimum retirement benefit included therein. The staff pension plan benefits are based on 2% of the average best three years basic salary multiplied by the number of years of contributory service, less an adjustment for Canada Pension Plan contributions.

The University charges the annual funding installments to expense in each year. Combined with member contributions, both pension plans are operated on an actuarially sound financial basis.

NOTE 7 GROUP LIFE/DISABILITY INSURANCE RESERVE

These reserve funds are held in trust for beneficiaries of the Group Life and Long Term Disability Plans. These funds are earmarked for liabilities relating to open and unreported claims, disabled lives reserves and a rate stabilization fund. The reserve funds on hand are adequate to meet existing commitments.

NOTE 8 RECLASSIFICATION

Comparative figures for 1985 have been restated to conform with the 1986 financial statement presentation.

UNIVERSITY OF VICTORIA

Province of
British Columbia

Office of the
Auditor General
Province of British Columbia

8 Bastion Square
Victoria
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AUDITOR'S REPORT

To the Chairman and Members of the Board of Governors of
The University of Victoria, and

To the Minister of Post Secondary Education
Province of British Columbia

I have examined the combined balance sheet of the University of Victoria as at 31 March 1986 and the following statements for the year then ended:

Statement	2	- Combined statement of changes in appropriated expendable funds
Statement	3	- Combined statement of changes in unappropriated expendable funds
Statement	4	- Combined statement of changes in non-expendable student loan and endowment principal funds
Statement	5	- Combined statement of changes in equity in plant assets

My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion these combined financial statements present fairly the financial position of the University as at 31 March 1986 and the results of its operations and the changes in its fund balances for the year then ended in accordance with accounting principles described in note 1 to the financial statements applied on a basis consistent with that of the preceding year.

Erma Morrison, F.C.A.
Auditor General

Victoria, British Columbia
18 July 1986

UNIVERSITY OF VICTORIA **STATEMENT 1**

COMBINED BALANCE SHEET

As at March 31, 1986 (in thousands of dollars)

	1986	*1985*
ASSETS		
Cash and temporary investments	24,421	*25,661*
Accounts receivable	3,760	*3,651*
Inventories	1,398	*1,389*
Deferred charges	522	*613*
Endowment investments		
(market $15,505 - 1985 $8,893)	13,452	*8,458*
Capital funds held in trust (Note 2)	1,842	*11,126*
Plant Assets		
Land and site improvements	9,254	*8,590*
Buildings	88,203	*74,210*
Equipment and furnishings	29,993	*25,202*
Library holdings	25,979	*24,020*
	198,824	*182,920*
LIABILITIES		
Accounts payable and accrued liabilities	8,610	*10,722*
Deferred operating revenue	566	*486*
Deferred capital revenue (Note 2)	1,389	*9,473*
Loans payable (Note 3)	719	*994*
Long term debt (Note 4)	31,620	*29,609*
Group insurance reserve (Note 5)	1,135	*1,081*
FUND BALANCES		
Expendable funds		
Appropriated (Statement 2)		
General Operating	8,647	*7,868*
Ancillary Enterprises	1,912	*2,100*
Unappropriated (Statement 3)		
General Operating	67	*252*
Specific Purposes	2,814	*5,797*
Sponsored Research	2,251	*2,320*
Ancillary Enterprises	110	*158*
Capital	1,747	*1,781*
Non-expendable funds (Statement 4)		
Student Loan	81	*88*
Endowment Principal (Note 6)	13,740	*8,522*
EQUITY IN PLANT ASSETS (Statement 5)	123,416	*101,669*
	198,824	*182,920*

For the Board of Governors

G.P. Kidd
Chairman

R.W. McQueen, C.A.
Vice-President, Finance

See accompanying notes to the financial statements.

COMBINED STATEMENT OF CHANGES IN APPROPRIATED EXPENDABLE FUNDS STATEMENT 2

Year ended March 31, 1986 (in thousands of dollars)

	Balance beginning of year	Released to meet expenditures	New appropriatns during year	Balance end of year
GENERAL OPERATING FUND				
Equipment replacement and capital improvements				
Audiovisual services	240	18	55	277
Coin-operated photocopiers	40	21	43	62
Computing—general	311	447	1,773	1,637
Computing—Engineering	165			165
Electronic office equipment	192		50	242
Motor vehicles	86	45	44	85
Parking services	18		23	41
Photocopy services	184	58	85	211
Printing and duplicating services	238	2	97	333
Rental properties	130		27	157
Stadium	24		19	43
University House			4	4
Student aid programs	246	246		
General renovations and site improvements	695	695	445	445
Equipment purchases	500	500	345	345
Non-recurring research and travel	300	300	250	250
Non-recurring acquisition costs of computerized personnel/payroll system	125	125		
Committed annualization costs of salaries and benefits	185	185	417	417
Non-recurring expenditures financed from budgetary savings	4,089	3,301	3,045	3,833
Uninsured property losses	100			100
	7,868	5,943	6,722	8,647
ANCILLARY ENTERPRISES FUND				
Equipment replacement and capital improvements				
Bookstore	215	3	29	241
Food Services	1,355	536	177	996
Residences	530	55	200	675
	2,100	594	406	1,912
TOTAL APPROPRIATED FUNDS	9,968	6,537	7,128	10,559
1985 COMPARATIVE	11,463	7,684	6,189	9,968

COMBINED STATEMENT OF CHANGES IN UNAPPROPRIATED EXPENDABLE FUNDS

STATEMENT 3

Year ended March 31, 1986 (in thousands of dollars)

	General Operating	Specific Purposes	Sponsored Research	Ancillary Enterprises	Capital	Total 1986	*Total 1985*
REVENUE AND OTHER ADDITIONS							
Government grants and contracts—provincial	53,630	1,396	183		11,904	67,113	*63,291*
—federal	214	766	5,250			6,230	*7,175*
—other	45	27	31			103	*147*
Student fees—credit courses	11,323	446				11,769	*10,980*
—non credit courses	429	19				448	*661*
—other	439	6				445	*407*
Gifts, grants and bequests	40	1,178	373		6,115	7,706	*1,598*
Sales of services and products				8,324		8,324	*8,171*
Investment income	1,493	1,198		197	160	3,048	*3,212*
Other revenue	814	2		3	59	878	*634*
Authorized capital borrowings					816	816	*811*
	68,427	5,038	5,837	8,524	19,054	106,880	*97,087*
EXPENDITURE AND OTHER DEDUCTIONS							
Salaries—faculty	25,253	770	285			26,308	*26,057*
—other instruction and research	3,250	914	2,545			6,709	*6,596*
—support staff	19,455	584	87	2,551	145	22,822	*22,806*
Total salaries	47,958	2,268	2,917	2,551	145	55,839	*55,459*
Employee benefits	5,851	120	166	213		6,350	*6,659*
Travel	1,347	579	612	18		2,556	*2,389*
Library acquisitions	2,203	98	40			2,341	*2,235*
Operational supplies and expenses	5,255	689	1,115	871	524	8,454	*6,987*
Equipment purchases	2,654	1,525	695	260	1,273	6,407	*7,138*
Equipment rental and maintenance	1,078	10	37	8		1,133	*1,093*
Utilities	1,973		7	368		2,348	*2,129*
Scholarships, fellowships and bursaries	1,719	535	160			2,414	*2,389*
Cost of goods sold				3,676		3,676	*3,550*
Debt service				743	3,595	4,338	*4,248*
Buildings					12,846	12,846	*5,708*
Land and site improvements					767	767	*14*
Internal cost allocations	(634)	353	229	52			
External cost recoveries	(1,807)	(625)	(72)			(2,504)	(2,614)
	67,597	5,552	5,906	8,760	19,150	106,965	*97,384*
TRANSFERS AND APPROPRIATIONS							
Inter-fund transfers	(236)	(2,469)			62	(2,643)	*(1,051)*
Appropriations released to meet expenditures	5,943			594		6,537	*7,684*
New appropriations	(6,722)			(406)		(7,128)	*(6,189)*
	(1,015)	(2,469)		188	62	(3,234)	*444*
NET INCREASE (DECREASE) DURING YEAR	(185)	(2,983)	(69)	(48)	(34)	(3,139)	*147*
FUND BALANCES AT BEGINNING OF YEAR	252	5,797	2,320	158	1,781	10,308	*10,161*
FUND BALANCES AT END OF YEAR	67	2,814	2,251	110	1,747	6,989	*10,308*

STATEMENT 4

COMBINED STATEMENT OF CHANGES IN NON-EXPENDABLE STUDENT LOAN AND ENDOWMENT PRINCIPAL FUNDS

Year ended March 31, 1986 (in thousands of dollars)

	Student Loan	Endowment	Total 1986	*Total 1985*
ADDITIONS				
Gifts, grants and bequests		2,475	2,475	*256*
Investment income		100	100	*54*
		2,575	2,575	*310*
DEDUCTIONS				
Bad loans	7		7	*7*
INTER-FUND TRANSFERS		2,643	2,643	*1,051*
NET INCREASE (DECREASE) DURING YEAR	(7)	5,218	5,211	*1,354*
FUND BALANCES AT BEGINNING OF YEAR	88	8,522	8,610	*7,256*
FUND BALANCES AT END OF YEAR	81	13,740	13,821	*8,610*

STATEMENT 5

COMBINED STATEMENT OF CHANGES IN EQUITY IN PLANT ASSETS

Year ended March 31, 1986 (in thousands of dollars)

	1986	*1985*
ADDITIONS		
Additions to plant assets	22,260	*15,710*
Repayment of capital borrowings from—		
Provincial government grants	687	*644*
Interest earnings on sinking fund	409	*346*
Ancillary enterprise operations	60	*59*
	23,416	*16,759*
DEDUCTIONS		
New capital borrowings	816	*811*
Equipment, furnishings and library holdings written off	853	*402*
	1,669	*1,213*
NET INCREASE DURING YEAR	21,747	*15,546*
EQUITY AT BEGINNING OF YEAR	101,669	*86,123*
EQUITY AT END OF YEAR	123,416	*101,669*

NOTES TO COMBINED FINANCIAL STATEMENTS
March 31, 1986

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

(a) General

These financial statements have been prepared in accordance with accounting principles generally accepted for universities as described in the 'Guide to Accounting Principles, Practices and Standards of Disclosure for Universities and Colleges of Canada' published by the Canadian Association of University Business Officers (CAUBO).

(b) Combined Statements

These statements include the accounts of two incorporated bodies whose activities are conducted for the sole benefit of the University: the University of Victoria Foundation which holds and administers endowment funds and related income, and the Island Pacific Institute Foundation which operates an off-campus conference centre.

(c) Fund Accounting

Fund accounting procedures are employed in order to recognize restrictions placed on the use of resources by donors and granting agencies or by the governing boards. Separate accounts are maintained for each fund to ensure observance of these restrictions.

For financial reporting purposes the balance sheet combines the assets and liabilities of all funds. The statements of changes in funds show the additions to and the deductions from each fund.

Funds are classified as expendable or non-expendable. Expendable funds are those which may be expended in their entirety within the restrictions referred to above. Non-expendable funds comprise gifts and other receipts that are to be held as endowment principal or used for making loans to students.

Funds with similar characteristics are grouped together for reporting purposes as follows:

General Operating
Revenues which the Board of Governors administers at its discretion.

Specific Purposes
Gifts and grants to be used for designated projects and purposes, and investment income earned on endowment principal.

Sponsored Research
Gifts, grants and contract revenue in support of research.

Ancillary Enterprises
Revenue from service operations which are expected to function on a self-supporting basis. These enterprises are charged with most costs associated with their operations, including debt service and provisions for repair and replacement of facilities.

Capital
Amounts received for acquisition of plant assets, major renovations and repayment of long term debt.

Student Loan
Amounts held for making loans to students.

Endowment Principal
Amounts held as invested principal, the income from which is added to the Specific Purposes Fund.

(d) Accrual Accounting

The University follows the accrual basis of accounting recommended by CAUBO. Revenue is recorded when received or receivable. Expenditures are recorded when the goods or services are received. No accrual is made for salaried employees' vacation pay or study leave support.

(e) Appropriations

Appropriations are set aside within the General Operating and Ancillary Enterprises Funds for future major or specific project expenditures and in respect of certain unexpended budget allocations. These appropriations are released when the expenditures to which they relate are made.

(f) Investments

Investments are recorded at cost. Temporary investments consist of short term deposits, treasury bills and corporate notes. Endowment investments also include stocks and bonds.

(g) Inventories

Inventories of supplies are recorded at cost. Inventories of merchandise held for resale are stated at the lower of cost and net realizable value.

(h) Deferred Charges

Prepaid long term equipment rental costs are amortized on a straight line basis over 10 years.

(i) Plant Assets

Expenditures for plant asset additions are charged to the fund which provides the resources for the expenditures. No depreciation is recorded.

Plant assets are also recorded at cost on the balance sheet, with appropriate credits to the equity account or to the long term debt which financed their acquisition. The amount shown for library holdings represents acquisition costs only, and does not include cataloguing or other internal handling costs.

The original cost of plant assets is deleted from the asset and equity accounts as follows:
- —land and building costs are deleted upon disposal;
- —equipment and furnishings are deemed to have an average useful life of eight years and are written off in their ninth year;
- —disposal and shrinkage of library holdings is recorded by means of an annual allowance.

(j) Capital Borrowings
Certain Capital Fund expenditures are financed under borrowing authority granted by the Province of B.C. The proceeds from these authorized borrowings are therefore recorded as revenue of the Capital Fund in the same year as the expenditures are made. Grants subsequently received from the Province of B.C. to repay the principal of these borrowings are not recorded as revenue in order to avoid duplication.

NOTE 2 CAPITAL FUNDS HELD IN TRUST

These funds are held in a trust account by the Minister of Finance pursuant to the Univerity of Victoria Special Appropriation Act 1984 for the purpose of financing, constructing and equipping a Science and Engineering Facility at the University. The difference of $453,231 between the balance of this account and the associated deferred revenue represents Capital Fund revenue recognized at March 31, 1986 in respect of project expenditures incurred but not paid at that date.

NOTE 3 LOANS PAYABLE

Loans are held from the Bank of Montreal ($178,643) and from the Provincial Treasury ($540,215) at prime interest rates or lower, under the authority of the Educational Institution Capital Finance Act. These loans will be repaid with funds received from the Province of B.C. for that purpose or refinanced through debentures issued by the University to the B.C. Educational Institutions Capital Financing Authority.

NOTE 4 LONG TERM DEBT

	Principal 1986	Principal 1985
B.C. Educational Institutions Capital Financing Authority		
9.41% to 17% due 1986 to 2004	$30,080,596	$29,193,946
Less sinking fund	4,857,262	3,722,357
	25,223,334	25,471,589
Canada Mortgage and Housing Corporation 5.125% to 9.5% due 2015 to 2029	4,116,879	4,137,355
Great-West Life Assurance Company 11% due 1988	2,279,673	
	$31,619,886	$29,608,944

Debentures are issued to the B.C. Educational Institutions Capital Financing Authority under the Educational Institution Capital Finance Act. Payments to the sinking fund held by the Authority are based on the discounted present values required to fund repayment of the debentures at maturity. These debentures can be recalled by the Authority giving not less than 5 months' notice. Sinking fund and interest payments are made with funds received from the Province of B.C. for that purpose or from the Ancillary Enterprises Fund.

Debentures issued under Orders-in-Council to the Canada Mortgage and Housing Corporation are secured by a mortgage on the student residences and Commons building. Principal and interest payments are made from the Ancillary Enterprises Fund.

A mortgage payable to the Great-West Life Assurance Company is registered against the land and building operated as a conference centre by the Island Pacific Institute Foundation. The revenue and expenditure of the Foundation are included in the Ancillary Enterprises Fund and the mortgage principal and interest payments are made from that Fund.

The aggregate annual payments of principal and interest required under these long term debt instruments during the next 5 years are as follows:

	Ancillary Enterprises Fund	Capital Fund
1986-87	$ 955,763	$4,337,785
1987-88	955,763	4,257,340
1988-89	2,866,995	4,257,340
1989-90	666,995	4,257,340
1990-91	666,995	4,257,340

NOTE 5 GROUP INSURANCE RESERVE

This reserve is held in connection with the University's group life and long-term disability insurance plans, and is considered adequate to meet the existing commitments of the plans.

NOTE 6 ENDOWMENT PRINCIPAL

This non-expendable funds balance represents assets held by the University and the University of Victoria Foundation. Not included in this balance are endowment funds of $610,000 held by the Vancouver Foundation, the income from which will be paid to the University for specific purposes. These latter endowment funds are not owned or controlled by the University.

NOTE 7 PENSION PLANS

The University pension plan for faculty and administrative and academic professional staff is a defined contribution plan administered by a separate Board of Trustees. The last actuarial valuation as at July 1, 1983 showed that the formula pension benefit liabilities of the plan were fully funded.

The University pension plan for other staff is a defined benefit plan administered by the University. The last actuarial valuation as at January 1, 1984 showed that the liabilities of the plan were fully funded.

NOTE 8 UNIVERSITY INTERESTS IN TRIUMF AND WCUMBS

(a) The University is one of four parties to a joint venture agreement under which research is conducted at the Tri-Universities Meson Facility on the University of B.C. campus and elsewhere. The Facility and its operations are funded by federal government grants and the University makes no direct financial contribution. The accounts of TRIUMF are not included in these statements.

(b) The University is one of five members of the Western Canadian Universities Marine Biological Society which operates a research and teaching station at Bamfield, B.C. In 1985 a portion of the Society's investment in its Bamfield Marine Station was reported on the University's balance sheet. This treatment is no longer considered appropriate. The University's 1985-86 grant of $82,034 to the Society is recorded as an expenditure in the General Operating Fund.

NOTE 9 COMMITMENTS

(a) Commitments under construction contracts of $520,323 as at March 31, 1986 (1985 — $6,509,064) will be met from the Capital Fund.

(b) Commitments under early termination arrangements with academic staff totalled $419,500 as at March 31, 1986. Payment of these commitments will be charged to the General Operating Fund.

W.L.C. DEVELOPMENTS LTD.

DUNWOODY & COMPANY
Internationally
DUNWOODY ROBSON McGLADREY & PULLEN
Chartered Accountants
P.O. Box 49272, Four Bentall Centre,
1055 Dunsmuir Street, Suite 1800, Vancouver, B.C.,
Canada V7X 1C5
Telephone: (604) 688-5421 Telex: 04-55488

AUDITORS' REPORT

TO THE SHAREHOLDER
W.L.C. DEVELOPMENTS LTD.

We have examined the consolidated balance sheet of W.L.C. Developments Ltd. as at 31 December 1985 and the consolidated statements of income and deficit and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Company as at 31 December 1985 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting policies for local government organization more particularly described in note 1 as set out in the notes to the financial statements applied, after giving retroactive effect to the changes in accounting policies as described in note 13, on a basis consistent with that of the preceding year.

Vancouver, British Columbia
7 February 1986

Dunwoody & Company
CHARTERED ACCOUNTANTS

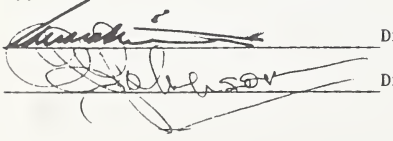
W.L.C. DEVELOPMENTS LTD.

CONSOLIDATED BALANCE SHEET
31 DECEMBER 1985

	1985	1984
ASSETS		
CASH	$ 39,063	$ 63,239
AGREEMENT AND ACCOUNTS RECEIVABLE, note 2	183,618	302,455
PREPAID EXPENSES	63,005	70,558
FURNITURE AND FIXTURES, at cost	17,367	13,945
INVENTORY OF LAND FOR RESALE, notes 3 and 13	11,651,224	10,900,669
PARKING STRUCTURES, notes 4 and 11	2,313,560	-
GOLF COURSE, note 5	3,687,390	3,544,821
CONFERENCE CENTRE, notes 6 and 11	12,721,800	4,675,228
	$30,677,027	$19,570,915
LIABILITIES		
BANK INDEBTEDNESS	$ 113,066	$ -
ACCOUNTS AND HOLDBACKS PAYABLE	317,515	1,111,652
INTEREST PAYABLE	233,754	137,376
LOAN PAYABLE, note 7	20,999,082	13,781,966
DUE TO RESORT MUNICIPALITY OF WHISTLER, note 8	3,177,057	3,356,852
DUE TO PROVINCE OF BRITISH COLUMBIA, note 9	1,400,000	3,800,000
	26,240,474	22,187,846
SHAREHOLDERS' EQUITY		
SHARE CAPITAL		
Authorized		
10,000 common shares without par value		
Issued		
1 common share	1	1
CONTRIBUTED SURPLUS, note 10	14,713,000	10,913,000
APPRAISAL INCREASE CREDITS, note 11	4,503,250	-
DEFICIT	(14,779,698)	(13,529,932)
	4,436,553	(2,616,931)
	$30,677,027	$19,570,915

SIGNIFICANT ACCOUNTING POLICIES, note 1
COMMITMENTS, note 12
ACCOUNTING POLICY CHANGES, note 13
SUBSEQUENT EVENT, note 14

Approved on behalf of the Board



Director

Director

W.L.C. DEVELOPMENTS LTD.

CONSOLIDATED STATEMENT OF INCOME AND DEFICIT
YEAR ENDED 31 DECEMBER 1985

	1985	1984
REVENUE		
Golf course	$ 497,918	$ 403,996
Conference Centre	68,822	-
Parking	6,270	10,680
Miscellaneous	20,715	15,304
	593,725	429,980
EXPENSES		
Administration	352,036	384,265
Consulting	115,700	309,667
Conference Centre	519,795	32,813
Golf course	412,044	412,734
Miscellaneous	23,086	-
Professional fees	154,777	127,620
Whistler Resort Association dues and expenses	250,000	283,478
Parking	16,053	1,867
	1,843,491	1,552,444
LOSS FROM OPERATIONS	1,249,766	1,122,464
Deficit, beginning of year		
As previously stated	7,804,398	12,115,984
Prior years' adjustments, note 13	5,725,534	(291,484)
As restated	13,529,932	12,407,468
DEFICIT, END OF YEAR	$14,779,698	$13,529,932

W.L.C. DEVELOPMENTS LTD.

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
YEAR ENDED 31 DECEMBER 1985

	1985	1984
SOURCES OF CASH		
Increase in loan payable	$7,217,116	$ 5,756,966
Increase in interest payable	96,378	-
Increase in accounts and holdbacks payable	-	814,250
Decrease in accounts and agreements receivable	118,837	304,023
Decrease in prepaid expenses	7,553	-
Increase in amount due to Province of British Columbia	1,400,000	-
	8,839,884	6,875,239
USES OF CASH		
Loss from operations	1,249,766	1,122,464
Additions to furniture and fixtures	3,422	11,153
Additions to Conference Centre	5,856,882	4,473,319
Additions to golf course	142,569	144,493
Additions to inventory of land for resale	930,350	847,358
Decrease in accounts and holdbacks payable	794,137	-
Increase in prepaid expenses	-	70,558
Decrease in interest payable	-	115,883
	8,977,126	6,785,228
(DECREASE) INCREASE IN CASH	(137,242)	90,011
Cash (bank indebtedness), beginning of year	63,239	(26,772)
(BANK INDEBTEDNESS) CASH, END OF YEAR	($ 74,003)	$ 63,239
REPRESENTED BY		
Cash	$ 39,063	$ 63,239
Bank indebtedness	(113,066)	-
	($ 74,003)	$ 63,239

W.L.C. DEVELOPMENTS LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 1985

1. SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies of the Company:

(a) Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary companies:

Whistler Village Land Co. Ltd.
Whistler Golf Ltd.
Whistler Conference Centre Inc.

The Company is a government-owned corporation, the outstanding share is owned by the Province of British Columbia.

(b) Inventory of Land for Resale

The Company capitalizes all costs related to the construction of infrastructure, roads and bridges and direct development costs and includes them in inventory of land for resale. Financing costs previously written off in the year incurred are now capitalized and included in inventory. This change in accounting policy has been applied retroactively (notes 3 and 13).

(c) Parking Structures

The parking structures which were written off in prior years have been restated at estimated replacement cost as determined by an independent appraiser at 21 January 1985 (notes 4 and 11).

(d) Golf Course

The Company has capitalized all costs related to the completion of the golf course including building improvements, equipment, golf carts, and direct costs incurred by the developer of the golf course (note 5). Financing costs previously written off in the year incurred are now capitalized. This change in accounting policy has been applied retroactively (note 13).

(e) Conference Centre

The Conference Centre is stated at estimated replacement cost at 31 December 1985. Replacement cost has been determined by an independent firm of consulting engineers at 25 November 1985 (note 6). The comparative figure at 31 December 1984 is stated at cost including financing costs previously written off (note 13).

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W.L.C. DEVELOPMENTS LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 1985

2. AGREEMENT AND ACCOUNTS RECEIVABLE

	1985	1984
Loan receivable	$103,125	$ -
Agreement receivable	-	269,335
Accounts receivable	80,493	33,120
	$183,618	$302,455

The loan is receivable from the Whistler Resort Association. It is to be paid by withholding $9,375 plus accrued interest from the quarterly dues payable to the Association over the next three years. Outstanding principal shall bear interest at the prime commercial lending rate of the Royal Bank of Canada. Interest will be computed quarterly on the first day of January, April, July and October from the date of advance on the outstanding balance at the rate in effect from time to time.

3. INVENTORY OF LAND FOR RESALE

	Whistler Village	Blackcomb Benchlands	Total
Balance, 31 December 1984	$5,688,333	$3,593,774	$ 9,282,107
Financing costs of prior years capitalized, note 13(a)	987,790	630,772	1,618,562
Balance, 31 December 1984 restated	6,676,123	4,224,546	10,900,669
Add: Costs capitalized during the year	401,844	348,711	750,555
Balance, 31 December 1985	$7,077,967	$4,573,257	$11,651,224

4. PARKING STRUCTURES

In 1980 certain parking structures constructed by Whistler Village Land Company were transferred to the Resort Municipality along with title to the Conference Centre for $1. These parking structures were then transferred to W.L.C. Developments Ltd. in 1983 for $1. The original cost of the remaining parking structures to which the Company has title is not readily determinable as the original costs were included with other elements of the village infrastructure. The replacement cost of these parking structures as determined by an independent appraiser at 21 January 1985 is $2,313,560. The Company has adjusted its accounts to reflect the parking structures at this replacement cost (note 11).

5. GOLF COURSE

	1985	1984
Developer's costs, note 10	$ 3,163,000	$ 3,163,000
Golf course completion	314,663	269,371
Building improvements	23,632	21,661
Equipment	77,276	26,268
Golf carts	108,819	64,521
	$ 3,687,390	$ 3,544,821

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W.L.C. DEVELOPMENTS LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 1985

5. GOLF COURSE - Continued

In 1979 Whistler Village Land Company Ltd., the Province of British Columbia and the Resort Municipality of Whistler entered into an agreement with a developer. The agreement provided that the developer would develop the golf course on lands owned by it in exchange for the transfer of certain properties owned by the Province of British Columbia adjacent to the golf course. The agreement provided that the developer would develop these properties into residential properties and that the company would participate in any profits earned by the developer on the subsequent sale of these residential lots up to a maximum of $1,100,000. The company has received $1,100,000 and title to the golf course pursuant to the agreement. The cost to the developer to construct the golf course is $3,163,000. The accounts of the company have been adjusted retroactively to reflect these costs and the corresponding contribution by the Province of British Columbia (notes 10 and 13).

6. CONFERENCE CENTRE

The Company's subsidiary - Whistler Village Land Company Ltd. originally began construction of a recreational facility in 1980 and incurred costs equal to $6,696,278. During that year title to the recreational facility was transferred to the Resort Municipality of Whistler for $1. In 1983 the Resort Municipality of Whistler transferred title to W.L.C. Developments Ltd. for $1. The Company changed the design of the facility to a Conference Centre and the revised values reflect the cost that would have been incurred if a Conference Centre had been planned initially. The replacement cost appraisal was performed by Phillips, Barret Kaiser Engineering Ltd. on 25 November 1985. Costs incurred by W.L.C. Developments Ltd. since acquisition are as follows:

	1985	1984
Construction costs including management fees, architectural and engineering design fees and equipment	$ 9,258,482	$ 4,299,972
Financing costs capitalized, notes 1(e) and 13	1,273,628	375,256
	10,532,110	4,675,228
Valuation adjustment, note 11	2,189,690	-
Replacement cost (1984 - cost)	$12,721,800	$ 4,675,228

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W.L.C. DEVELOPMENTS LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 1985

7. LOAN PAYABLE

The following amounts are due to the National Victoria & Grey Trust Company (Victoria & Grey):

	1985	1984
Notes payable	$ 2,549,082	$ 3,031,966
Term notes maturing- 15 February 1992	3,700,000	-
- 7 September 1990	7,750,000	7,750,000
- 16 July 1992	4,000,000	-
- 9 October 1991	3,000,000	3,000,000
	$20,999,082	$13,781,966

The notes payable bear interest at 3/4 of 1% less than the average prime rate of the Canadian Imperial Bank of Commerce (the C.I.B.C.). Interest is payable monthly but may be capitalized at the Company's option.

The term notes bear interest at 3/4 of 1% less than the average prime rate of the C.I.B.C. Interest is payable quarterly. The notes are redeemable by the Company on or after the second anniversary from the date of issue.

In consideration of the guarantee of the Province of British Columbia (the Province) to Victoria & Grey for the repayment of the loan, the Company has agreed to indemnify and to provide security for any losses sustained by the Province.

8. DUE TO RESORT MUNICIPALITY OF WHISTLER

This debt is interest-free and repayable only after all the liabilities of the Company have been paid and the Company has been wound up.

It is anticipated that this loan will be forgiven as certain debts from the Resort Municipality to the Province are forgiven. During the year the Province reduced the debt owed by the Resort Municipality of Whistler by $179,795. The debt owed by the company to the Municipality has been similarly reduced.

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W.L.C. DEVELOPMENTS LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 1985

9. DUE TO PROVINCE OF BRITISH COLUMBIA

		1985	1984
(a)	T.I.D.S.A. Loan	$ -	$3,800,000

On 7 March 1979, Whistler Village Land Co. Ltd. agreed to undertake certain capital projects in relation to the development of the Whistler area as a destination resort to be jointly financed by the Government of Canada and the Province of British Columbia (the Province) through the Travel Industry Development Subsidiary Agreement (T.I.D.S.A.). The full amount of $10,450,000 had been received from the Province and applied to the capital projects in accordance with the T.I.D.S.A. agreement.

By an agreement dated 24 December 1984 between the Province and the Company amending earlier agreements on the T.I.D.S.A. loan, the company upon expending the funds necessary to complete the Conference Centre and other related facilities all pursuant to the agreement earned the right to have the loans converted to a non-repayable grant.

(b) Short Term Financing

The Province of British Columbia (the Province) has entered into an agreement with the Company to provide short term financing up to a maximum of $3,000,000. Short term loans outstanding at 31 December 1985 are as follows:

9.25% maturing 28 January 1986	300,000	-
8.76% maturing 20 February 1986	700,000	-
9.06% maturing 12 March 1986	200,000	-
9.18% maturing 17 March 1986	200,000	-
	$1,400,000	$3,800,000

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W.L.C. DEVELOPMENTS LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 1985

10. CONTRIBUTED SURPLUS

Contributed surplus includes the following amounts provided directly or indirectly through transfers of property by the sole shareholder of the Company - the Province of British Columbia.

	1985	1984
T.I.D.S.A. grant, note 9(a)	$10,450,000	$ 6,650,000
Golf Course, notes 5 and 13	4,263,000	4,263,000
	$14,713,000	$10,913,000

11. APPRAISAL INCREASE CREDITS

During the year the Company changed its method of accounting for parking structures and the conference centre as set out in notes 1(c) and (e), resulting in appraisal increments recorded in 1985 as follows:

Parking structures, note 4	$2,313,560
Conference Centre, note 6	2,189,690
	$4,503,250

12. COMMITMENTS

By an agreement dated 11 January 1979, Fortress Mountain Resorts Ltd. (Fortress) has an option to purchase the Blackcomb Mountain Benchlands. The option price is equal to approximately $25,000 per net developable hectare, which approximates cost. The option price is subject to escalation factors which depend upon the date on which the option is exercised. The option expires in February 2014, but under certain conditions may expire in 2004, in which event Fortress has a right of first refusal to 2014.

Under another agreement dated 1 May 1979, the Company has agreed to make all reasonable efforts to obtain title to approximately 17 hectares of land contiguous to the land subject to the 11 January 1979 option and to extend to Fortress the option to these lands at an option price of approximately $37,500 per net developable hectare. The option price is subject to the same escalation factors as are contained in the 11 January 1979 option. This option expires in January 1990.

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W.L.C. DEVELOPMENTS LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 1985

13. ACCOUNTING POLICY CHANGES

	1985	1984
Capitalization of financing costs, note 13(a)	($2,024,466)	($ 808,516)
Non transferable grant, note 13(b)	6,650,000	-
Proceeds from golf course developer, note 13(c)	1,100,000	1,100,000
Prior year's adjustments	$5,725,534	$ 291,484

(a) Financing costs previously written off have been capitalized and included as costs of the following assets:

Golf course	$ 30,647	$ -
Conference Centre	375,257	-
Whistler Village Lands	987,790	491,371
Blackcomb Benchlands	630,772	317,145
	$2,024,466	$ 808,516

(b) In 1984 the portion of the T.I.D.S.A. loan converted to a non repayable grant by the Province was included in income. The comparative figures have been restated to reflect this as contributed surplus.

(c) Proceeds received from the developer of the golf course were included in income in 1983. The comparative figures have been restated to reflect these proceeds as contributed surplus (notes 5 and 10).

14. SUBSEQUENT EVENT

On 3 March 1986 W.L.C. Developments entered into an agreement to construct an underpass and parking lot at a cost of $555,568.

WORKERS' COMPENSATION BOARD OF BRITISH COLUMBIA

AUDITOR'S REPORT

Province of British Columbia

Office of the
Auditor General
Province of British Columbia

8 Bastion Square
Victoria
British Columbia
V8V 1X4

To the Chairman and Members of the
Workers' Compensation Board, and

To the Minister of Labour
Province of British Columbia:

I have examined the balance sheet of the Workers' Compensation Board as at 31 December 1985 and the statements of income and expense and unfunded liability, changes in fund liabilities, changes in special reserve balances and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In 1984, the Board increased the actuarially-determined accident fund liabilities by a contingency margin of $42.8 million, increasing by that amount the expense shown for that year in the statement of income and expense and unfunded liability. In 1985 this contingency provision was reversed, with a consequent reduction in the amount of expense shown for the year. In my Auditor's Report dated 1 March 1985 on the 1984 financial statements, I stated that in my opinion this amount should not have been charged as an expense, but rather as a contingency appropriation, shown separately on the balance sheet. Similarly, in my opinion the reversal in 1985 should not have been applied to reduce expense. Had these amounts been treated as I believe they should, stated net income applied to Unfunded Liability would be reduced to $302.7 million in 1985 and increased to $249 million in 1984. Amounts of unfunded liability are not affected.

In my opinion, except for the treatment of the contingency margin described in the preceding paragraph, these financial statements present fairly the financial position of the Board as at 31 December 1985 and the results of its operations and the changes in its fund liabilities, special reserve balances and financial position for the year then ended in accordance with the stated accounting policies disclosed in note 1 to the financial statements applied, after giving retroactive effect to the change in the method of accounting for long-term investment income as explained in note 2, on a basis consistent with that of the preceding year.

Erma Morrison, F.C.A.
Auditor General

Victoria, British Columbia
28 February 1986

WORKERS' COMPENSATION BOARD

BALANCE SHEET
AS AT 31 DECEMBER 1985 (in $,000's)

EXHIBIT 1

ASSETS		1985		1984
Cash and short-term deposits		915,113		911,130
Assessments and accrued interest receivable		152,946		159,846
Deposit account unfinalled claims receivable (Note 4)		69,905		69,896
Long-term investments (Note 2)		1,233,502		796,526
Fixed assets (Note 5)		48,271		47,949
		2,419,737		1,985,347
LIABILITIES AND FUND BALANCES				
Accounts payable and accrued liabilities		22,716		17,416
Deposit accounts		3,158		3,158
Accident fund:				
Liabilities (Exhibit 3)	2,261,848		2,220,042	
Special Reserves (Exhibit 4)	32,589	2,294,437	22,069	2,242,111
Silicosis fund liabilities (Exhibit 3)		33,486		37,569
Deferred long-term investment gains and losses (Note 3)		97,784		43,446
Unfunded liability (Exhibit 2)		(31,844)		(358,353)
		2,419,737		1,985,347

The accompanying six notes are an integral part of these financial statements.
Approved by the Board:

G. W. Hall
Acting Chairman

B. Korman
Commissioner

J. M. Nutter
Commissioner

WORKERS' COMPENSATION BOARD

STATEMENT OF INCOME AND EXPENSE AND UNFUNDED LIABILITY FOR THE YEAR ENDED 31 DECEMBER 1985 (in $,000's)

EXHIBIT 2

INCOME	1985	1984
Assessments		
Classes	456,120	446,381
Deposit accounts (Note 4)	18,639	29,747
Penalties	3,460	3,925
	478,219	480,053
Investment income		
Earned for the year	206,147	168,095
Amortization of long-term investment gains and losses (Notes 2 and 3)	29,227	2,254
	235,374	170,349
	713,593	650,402
EXPENSE		
Current year claims		
Wage loss compensation	75,390	73,198
Medical aid payments	26,893	26,487
Pension awards, capitalized values	12,402	15,084
Provision for unfinalled claims	171,007	173,604
	285,692	288,373
Prior years' claims		
Investment income allocated to fund liabilities and special reserves	235,374	170,349
Adjustment to prior years' actuarial estimates	(221,176)	(81,575)
	14,198	88,774
Administration	68,194	67,007
	368,084	444,154
NET INCOME APPLIED TO UNFUNDED LIABILITY	345,509	206,248
UNFUNDED LIABILITY — 1 January		
As previously reported	(314,907)	(517,918)
Change in accounting policy for long-term investments (Note 2)	(43,446)	(30,183)
As restated	(358,353)	(548,101)
	(12,844)	(341,853)
APPROPRIATION TO SPECIAL RESERVES	(19,000)	(16,500)
UNFUNDED LIABILITY - 31 December	(31,844)	(358,353)

WORKERS' COMPENSATION BOARD

STATEMENT OF CHANGES IN FUND LIABILITIES FOR THE YEAR ENDED 31 DECEMBER 1985 (in $,000's)

EXHIBIT 3

	1985	1984	1985	1984
ADDITIONS TO THE FUND LIABILITIES				
Current year claims				
Provision for unfinalled claims	170,404	171,884	603	1,720
Pension awards, capitalized values	16,287	20,771	-	120
Prior years' claims				
Investment income allocation	229,663	166,262	4,094	3,089
Adjustment to prior years' actuarial estimates	(215,051)	(78,370)	(6,125)	(3,205)
	201,303	280,547	(1,428)	1,724
DEDUCTIONS FROM THE FUND LIABILITIES				
Pensions paid	95,071	95,707	2,546	2,647
Wage loss compensation	36,039	39,029	-	-
Medical aid payments	28,387	31,032	109	73
	159,497	165,768	2,655	2,720
CURRENT YEAR INCREASE (DECREASE)	41,806	114,779	(4,083)	(996)
BALANCE - 1 January	2,220,042	2,105,263	37,569	38,565
BALANCE - 31 December (Exhibit 1)	2,261,848	2,220,042	33,486	37,569
Represented by:				
Provision for unfinalled claims	1,028,110	1,044,441	12,030	15,144
Pension awards, capitalized values	1,233,738	1,175,601	21,456	22,425
	2,261,848	2,220,042	33,486	37,569

WORKERS' COMPENSATION BOARD

STATEMENT OF CHANGES IN SPECIAL RESERVE BALANCES FOR THE YEAR ENDED 31 DECEMBER 1985 (in $,000's)

EXHIBIT 4

				Total	
	Contingent	Disaster Enhancement		1985	1984
ADDITIONS TO THE RESERVES					
Appropriation of net income	1,000	11,000	7,000	19,000	16,500
Investment income allocation	55	318	1,244	1,617	998
	1,055	11,318	8,244	20,617	17,498
DEDUCTIONS FROM THE RESERVES					
Pension awards, capitalized values	-	1,649	1,287	2,936	5,013
Wage loss compensation	-	311	4,817	5,128	4,966
Medical aid payments	-	138	1,895	2,033	1,879
	-	2,098	7,999	10,097	11,858
CURRENT YEAR INCREASE	1,055	9,220	245	10,520	5,640
BALANCE - 1 January	575	4,396	17,098	22,069	16,429
BALANCE - 31 December (Exhibit 1)	1,630	13,616	17,343	32,589	22,069

WORKERS' COMPENSATION BOARD

STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED 31 DECEMBER 1985 (in $,000's)

EXHIBIT 5

	1985	1984
FUNDS PROVIDED FROM		
Net income applied to unfunded liability	345,509	206,248
Add (deduct) items not requiring cash:		
Provision for unfinalled claims	171,007	173,604
Adjustment to prior years' actuarial estimates	(221,176)	(81,575)
Investment income allocated to fund liabilities and special reserves	235,374	170,349
Pension awards, capitalized values	12,402	15,084
Depreciation	2,455	2,587
Gain on disposal of fixed assets	(62)	(13)
	545,509	486,284
Deduct:		
Cash applied in settlement of fund liabilities or charged against special reserves:		
Pensions paid	97,617	98,354
Wage loss compensation	41,167	43,995
Medical aid payments	30,529	32,984
	169,313	175,333
Funds generated from operations	376,196	310,951
Increase in deferred long-term investment gains and losses	54,338	13,263
Decrease in assessments and accrued interest receivable	6,900	3,128
Net increase in other liabilities	5,300	332
Pension payments recovered from third parties	949	794
Proceeds from disposal of fixed assets	123	190
	443,806	328,658
FUNDS APPLIED TO		
Purchase of fixed assets	2,838	561
Increase in deposit account unfinalled claims receivable	9	6,563
	2,847	7,124
INCREASE IN FUNDS INVESTED	440,959	321,534
FUNDS INVESTED - 1 January	1,707,656	1,386,122
- 31 December	2,148,615	1,707,656
COMPONENTS OF INCREASE IN FUNDS INVESTED		
Increase in cash and short-term deposits	3,983	469,537
Increase (decrease) in long-term investments	436,976	(148,003)
	440,959	321,534

WORKERS' COMPENSATION BOARD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1985

Note 1 - Significant Accounting Policies

(a) Fund Accounting

Although the liabilities and reserves of the Board are allocated to the Accident and Silicosis Funds and various sub-divisions thereof, the assets are recorded on a pool basis with no allocation of individual assets to specific funds.

(b) Long-Term Investments

Long-term investments are stated at market value. The amount by which market value differs from book value represents an unrealized gain or loss. Unrealized gains and losses occurring during the year, together with gains and losses realized on disposal of long-term investments during the year, are deferred and amortized on a straight-line basis over a five year period.

(c) Fixed Assets

Fixed assets are recorded at cost, except for land acquired before 1970 which is recorded at appraised value. The following fixed assets are depreciated on a straight-line basis over their estimated useful lives:

Buildings	20 or 40 years	Furniture	10 years
Equipment	3 to 10 years	Vehicles	5 years

(d) Fund Liabilities

The Board calculates the liabilities for unfinalled claims and pensions as explained below. These liabilities, and the underlying assumptions and methods, are examined by the consulting actuary appointed by the Board. The report of the consulting actuary is appended to these financial statements.

(i) Unfinalled Claims

Provisions for future claims costs relating to injuries occurring prior to 31 December 1985 for which the final settlement has not been determined are credited to the unfinalled claims liabilities which are part of the Accident and Silicosis Funds established under Sections 39 (1)(c) and 41 (2)(b) of the Workers' Compensation Act. Wage loss compensation and medical aid payments, and the capitalized value of pension awards granted after the year of injury (or after the year in which the claim is allowed, in the case of Silicosis), are charged to the respective unfinalled claims liabilities.

(ii) Pensions

Capitalized values of pension awards are credited to the pension liability provisions, which are then charged with pensions paid. When a pension is awarded for an injury which occurred in the current year its capitalized value is treated as a current period expense. In the case of a pension awarded after the year of the injury (or after the year in which the claim is allowed, in the case of Silicosis), the pension is charged to the appropriate unfinalled claims liability.

(iii) Special Reserves

The special reserves established pursuant to Section 39 of the Workers' Compensation Act are:

Contingent Reserve [Section 39 (1)(b)] which provides a reserve in aid of industries or classes which may become depleted or extinguished.

Disaster Reserve [Section 39 (1)(d)] which provides a reserve to be used to meet the loss arising from a disaster or other circumstances which the Board considers would unfairly burden the employers in a particular class.

Enhancement Reserve [Section 39 (1)(e)] which provides a reserve for payment of that portion of a disability enhanced by reason of a pre-existing disease, condition or disability.

The Board determines the amounts required to maintain these reserves at an adequate level. This levy is prorated to the various employer classes.

(e) Prior Years' Claims

All amounts recorded as "Provision for unfinalled claims" and as "Pension awards, capitalized values" are the actuarial estimates of the net present values of these liabilities. The calculation of net present value assumes that the annual rate of return on the Board's investments will exceed the annual increase in the Consumer Price Index (CPI) by 2·3/8%.

Each year, benefits paid by the Board are increased in line with the CPI and the actuarial assumptions are modified to include more recent experience. These changes result in a revaluation of the actuarial estimates made in prior years.

Investment income received or receivable during the year is allocated to the fund liabilities to offset the revaluation.

The amount by which the revaluation differs from investment income allocated is described in the statements as "Adjustment to prior years' actuarial estimates" and is treated as a current period item.

(f) Assessment Income and Assessments Receivable

As a significant portion of assessment income for the year is not received until after year end, the amount shown is an estimate based on statistical data. Adjustments to this estimate are made in the following year.

Note 2 - Change in Accounting Policy

Long-Term Investments

During 1985, the Board adopted a policy whereby realized and unrealized gains and losses on long-term investments arising during the year are deferred and amortized on a straight-line basis over a five year period (see note 1b). In 1984, both realized and unrealized gains and losses on investments were included with investment income in the year in which they arose. Prior to 1984, long-term investments were stated at book value, and consequently, there was no explicit recognition given to unrealized gains and losses; realized gains and losses were included in income in the year in which they arose.

The policy change in 1984 was introduced so that reported investment income would reflect current yields instead of historical yields. The Board felt that stating investments at market value provided more relevant information than that provided by book value.

For 1985, the accounting policy has been modified with regard to the method of income recognition because of significant volatility in the capital markets. The new policy of deferring both realized and unrealized gains and losses over a five year period ensures that reported investment income reflects the long-term nature of investments. A five year amortization period was chosen in order to spread market value fluctuations over a period approximating one capital market cycle.

This new accounting policy has been applied retroactively and the prior year results have been restated. The effect of the change on the results for 1985 has been to reduce investment income and net income applied to unfunded liability, and to increase the unfunded liability, by $54.3 million.

Note 3 — Deferred Long-Term Investment Gains and Losses ($000's).

	1985	1984
Balance - 1 January	43,446	30,183
Realized gains (losses) for the year	661	(5,297)
Unrealized gains for the year	82,904	20,814
	127,011	45,700
Amortization credited to investment income	29,227	2,254
Balance - 31 December	97,784	43,446

Note 4 - Deposit Accounts

Certain employers have been placed in deposit classes and are required to deposit with the Board a sum of money determined by the Board.

These employers are billed on a monthly basis for compensation payments and pension awards made on their behalf, together with their proportionate share of administrative costs. The Board recognizes in its accounts both the current value of the estimated future payments for unfinalled claims and the amounts relative to these unfinalled claims to be received in the future from the deposit class employers.

The Board also acts as the agent of the Government of Canada for the payment of compensation to federal employees in British Columbia. Amounts disbursed are recovered from the Government of Canada on a monthly basis.

Note 5 — Fixed Assets ($000's)

	1985				1984
	Cost or Appraised Value	Depreciation	Accumulated Depreciation	Net Book Value	Net Book Value
Land	1,639	-	-	1,639	1,275
Buildings	49,630	1,267	7,073	42,557	42,376
Furniture & Equipment	12,009	1,188	7,934	4,075	4,298
Totals	63,278	2,455	15,007	48,271	47,949

Note 6 — Superannuation Fund

The Board's 1985 contributions to the Workers' Compensation Board Superannuation Fund, including a $5 million lump sum payment, amounted to $9,177,000 (1984 - $4,585,000).

An actuarial valuation of the Fund's liabilities was carried out in 1985 at the Trustees' request. Based on the Plan provisions, and ignoring liabilities and financing for future indexed supplementary pensions, the unfunded liability of the Fund was approximately $21 million as at 31 March 1985. This unfunded liability is not included in these financial statements.

The Board's current rate of regular contributions is projected to amortize the unfunded liability over a 21-year period.

WORKERS' COMPENSATION BOARD
ACTUARY'S REPORT

ECKLER PARTNERS LTD.

The Pension Liabilities for the Accident and Silicosis Funds are for pensions in effect as at 31 December 1985, but excluding pensions arising from injuries to Federal Government workers (Class 19). The present value of increases in pensions effective 1 January 1986 has been included in the Liabilities. The Pension Liabilities have been computed using the same mortality, net interest rate and other assumptions used for the valuation as at 31 December 1984. The net interest rate of 2-3/8% makes implicit provision for the future indexing of pensions on the assumption that interest earnings on Board assets in excess of 2-3/8% will correspond to future increases in the Consumer Price Index.

The Unfinalled Claims Liabilities for the Accident and Silicosis Funds are shown separately for rateable Classes and for deposit Classes (excluding Class 19), and are based on projections of future claims payments and awards using ratios developed from the Board's claims experience, average benefit rates, the net interest rate assumption of 2-3/8% and, where applicable, mortality, remarriage and other assumptions used for computing Pension Liabilities. The methods used in calculating these liabilities were substantially the same as those employed in the previous valuation as at 31 December 1984, except for the removal of a contingency margin introduced by the Board last year.

The liabilities included in this report have been computed by the Board in accordance with methods and assumptions approved by us. We have made such tests of the calculations as were deemed necessary. We have also examined the data upon which the calculations were based and found it to be sufficient for our purposes and consistent with the Board's financial statements.

In our opinion, the amounts set out below, which have been determined by the methods and assumptions described above, make reasonable provision for the future liabilities of the Board as at 31 December 1985.

Accident Fund	
Pension Liabilities	$1,233,738,000
Unfinalled Claims Liabilities	
- Rateable Classes	957,169,000
- Deposit Classes	70,941,000
	$2,261,848,000
Silicosis Fund	
Pension Liabilities	$21,456,000
Unfinalled Claims Liabilities	12,030,000
	$33,486,000

Jacob Levi, F.S.A., F.C.I.A.
Eckler Partners Ltd.
Consulting Actuaries.

12 March 1986

SECTION H

TRUST FUNDS

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PUBLIC SERVICE SUPERANNUATION FUND

Province of British Columbia

Office of the
Auditor General
Province of British Columbia

8 Bastion Square
Victoria
British Columbia
V8V 1X4

AUDITOR'S REPORT

To the Superannuation Commissioner,

To the Provincial Secretary and Minister of Government Services
Province of British Columbia, and

To the Minister of Finance
Province of British Columbia:

I have examined the statement of financial position of the Public Service Superannuation Fund, a fund in the Ministry of Finance, as at 31 March 1986 and the statement of changes in fund balance for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Fund as at 31 March 1986 and the changes in the fund balance for the year then ended in accordance with the stated accounting policies as set out in note 2 to the financial statements applied on a basis consistent with that of the preceding year.

Erma Morrison, F.C.A.
Auditor General

Victoria, British Columbia
22 August 1986

PUBLIC SERVICE SUPERANNUATION FUND

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 1986

	1986	1985
ASSETS		
Cash	$ 4,464,735	$ -
Accounts receivable	12,142,258	6,100,031
Due from Pacific Coach Lines Ltd. Employees' Retirement Plan	-	10,350,063
Accrued interest on investments	69,174,463	53,623,368
Investments		
Short-term	764,638,564	985,809,740
Long-term (Note 3)	1,472,577,470	999,343,913
Deferred losses less gains on sale of investments (Note 4)	14,555,908	19,598,971
	$2,337,553,398	$2,074,826,086
LIABILITIES AND FUND BALANCE		
LIABILITIES		
Overdraft in Treasury	$ -	$ 9,223,919
Accounts payable and accrued liabilities	3,481,847	2,029,355
	3,481,847	11,253,274
FUND BALANCE (Note 5)		
Basic Account	2,096,314,775	1,885,043,571
Inflation Adjustment Account	237,756,776	178,529,241
	2,334,071,551	2,063,572,812
	$2,337,553,398	$2,074,826,086

The seven accompanying notes are an integral part of these financial statements.

APPROVED BY:

John W. Cook

John W. Cook, F.C.I.A., Superannuation Commissioner

Victor Barwin, C.A., Director, Finance, Superannuation Commission

PUBLIC SERVICE SUPERANNUATION FUND

STATEMENT OF CHANGES IN FUND BALANCE

FOR THE YEAR ENDED MARCH 31, 1986

	1986	1985
FUND BALANCE INCREASED BY		
Contributions		
Employees		
Basic	$ 52,018,704	$ 52,409,457
Inflation adjustment	14,396,263	14,303,197
Voluntary	663,855	245,947
Military service	-	475,879
Reinstatement	60,694	223,198
	67,139,516	67,657,678
Employers		
Province of British Columbia		
Basic	56,614,680	58,506,387
Inflation adjustment	10,075,968	10,295,659
Other employers		
Basic	24,451,913	22,964,362
Inflation adjustment	4,302,914	4,008,327
	95,445,475	95,774,735
Transfers from other funds		
Re Pacific Coach Lines Ltd.		
Employees' Retirement Plan	211,177	13,519,340
Other	658,641	265,330
Transfers from Members of the Legislative Assembly		
Superannuation Account (Note 6)		
Upon grant of allowance	-	525,544
In respect of inflation adjustment supplements	45,448	119,740
Income from investments	226,014,973	205,667,930
	389,515,230	383,530,297
FUND BALANCE DECREASED BY		
Superannuation allowance payments		
Contributory	83,497,418	74,001,929
Inflation adjustment supplements (Note 5)	16,134,144	13,571,346
	99,631,562	87,573,275
Refunds	15,217,071	24,310,679
Transfers to other funds	1,826,009	1,288,719
Transfer to Members of the Legislative Assembly		
Superannuation Account (Note 6)	128,755	-
Administration and actuarial expenses	1,521,187	1,346,338
Investment management fees	691,907	596,843
	119,016,491	115,115,854
NET INCREASE IN FUND BALANCE	270,498,739	268,414,443
FUND BALANCE AT BEGINNING OF YEAR	2,063,572,812	1,795,158,369
FUND BALANCE AT END OF YEAR	$2,334,071,551	$2,063,572,812

PUBLIC SERVICE SUPERANNUATION FUND

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 1986

1. DESCRIPTION OF THE PUBLIC SERVICE SUPERANNUATION PLAN

a) General

Under the Pension (Public Service) Act, the Public Service Superannuation Fund is a fund in the Ministry of Finance.

The Superannuation Commissioner appointed under the Act is responsible to the Provincial Secretary and Minister of Government Services for the administration of the Act. The Minister of Finance is responsible for investing available moneys in authorized short-term and long-term securities.

The plan is a defined benefit pension plan, whereby benefits are not directly linked to contributions. The plan is open to eligible employees of the public service and of certain crown corporations, agencies, institutions and other designated employers to which the Pension (Public Service) Act applies.

b) Retirement Benefits

Members are eligible for unreduced benefits if they retire at age 55 with a minimum of 35 years contributory service and at age 60 with a minimum of 10 years contributory service. Reduced pensions are available at age 55 with a minimum of 10 years contributory service, and at age 60 with less than 10 years contributory service.

Certain groups of employees are eligible for retirement benefits at an earlier age.

The plan provides a pension of 2% per year of service up to a maximum of 70% prior to age 65 of the average salary earned in the five highest earning years before retirement. At age 65, date of death or disability, there is a reduction in the formula as a result of the integration with the Canada Pension Plan (the CPP offset). Reference should be made to the plan text for a more detailed description of the benefits.

c) Termination Benefits

A terminating employee may choose between leaving accumulated contributions on deposit or obtaining a refund. The refund includes interest credited. Employees leaving contributions on deposit having contributed for a minimum of 10 years are entitled to a deferred pension benefit.

d) Other Benefits

Disability and Survivor benefits are available under the plan.

2. SIGNIFICANT ACCOUNTING POLICIES

a) General Information

These financial statements have been prepared on the accrual basis of accounting. They show only the position of the Fund as at March 31, 1986 and the changes in Fund balance for the year then ended and do not purport to show the adequacy of the Fund to meet the obligations of the

PUBLIC SERVICE SUPERANNUATION FUND

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 1986

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

superannuation plan. The results of the latest actuarial valuation of the plan are described in Note 7 below.

b) Investment Valuation

Long-term investments are those purchased with a term in excess of one year. They are carried at cost of acquisition adjusted as follows:

(i) Discounts and premiums on single maturity bonds are amortized on a straight line basis over the remaining terms of the bonds.
(ii) Discounts on serial bonds are recognized as income when redemptions occur.
(iii) Shares are carried at cost adjusted by 7% of the difference between cost or adjusted cost and market value.

Gains and losses on disposal of long-term investments are deferred and amortized on a straight line basis over the lesser of the remaining terms of the investments or twenty years. The amortization is charged against income from investments.

Short-term investments are carried at cost of acquisition.

3. LONG-TERM INVESTMENTS

Long-term investments held at the end of the year are as follows:

	1986 $	1985 $
Book Value	1,472,577,470	999,343,913
Par Value	1,547,908,931	1,062,735,257
Market Value	1,556,709,018	938,647,705

The par value of the long-term investments does not include shares in Canadian companies having a book value of $19,540,559 ($17,788,330 in 1985) and a market value of $32,444,197 ($27,062,003 in 1985).

4. DEFERRED LOSSES LESS GAINS ON SALE OF INVESTMENTS

	1986 $	1985 $
Balance at beginning of year	19,598,971	11,288,818
Gains less losses (1985 - losses less gains) on sale of investments	(3,236,367)	9,575,293
	16,362,604	20,864,111
Amortization for the year	1,806,696	1,265,140
Balance at end of year	14,555,908	19,598,971

PUBLIC SERVICE SUPERANNUATION FUND

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 1986

5. FUND BALANCE

The Fund balance is made up of a Basic Account and an Inflation Adjustment Account. The Inflation Adjustment Account was created in 1980 to finance the payment of inflation adjustment supplements. These supplements are adjusted each January 1st and are related to the annual increase in the Consumer Price Index as at each previous September 30th, but may be limited by the availability of funds in the Inflation Adjustment Account to provide the capitalized value of the increases.

The Inflation Adjustment Account includes contributions by employees and employers each at the rate of 1.25% of salary, the interest income therefrom, and the interest income earned at a rate in excess of that assumed by the actuary on fund assets held in the Basic Account in respect of pensions being paid. It is decreased by refunds to former contributors, payment of investment management fees in respect of Inflation Adjustment Account investments and transfers to the Basic Account in respect of the capitalized value of inflation adjustment supplements granted. The Basic Account consists of all other assets of the Fund.

Excess interest earnings for the year ended March 31, 1986 amounting to $37,112,199 ($18,390,306 in 1985) transferable from the Basic Account to the Inflation Adjustment Account are reflected in the Accounts' balances. Effective January 1, 1986, inflation adjustment supplements at the rate of 4.1% (3.8% effective January 1, 1985) of the basic life time portion of contributory allowances in force were granted. The capitalized value of these inflation adjustment supplements was $22,754,483 ($17,475,744 in 1985), and was transferred from the Inflation Adjustment Account to the Basic Account.

6. TRANSFERS TO AND FROM THE MEMBERS OF THE LEGISLATIVE ASSEMBLY SUPERANNUATION ACCOUNT

Former Members of the Legislative Assembly who have been granted superannuation allowances are paid contributory allowances and inflation adjustment supplements from the Public Service Superannuation Fund (the Fund).

A contributory allowance is financed at the time the allowance is first granted by the transfer to the Fund from the Members of the Legislative Assembly Superannuation Account (the Account) of the estimated cost of the future contributory benefits.

Former members receiving an allowance who are re-elected to the Legislature cease to receive an allowance and resume contributing to the Account. In addition, an amount equal to the present value of their superannuation allowance is to be transferred from the Public Service Superannuation Fund to the Account.

During the current year, the Fund paid $128,755 to the Members of the Legislative Assembly Superannuation Account in respect of one member who was re-elected in November 1984. No new superannuation allowances were granted (1985 - one allowance valued at $525,544).

Under the Legislative Assembly Allowances and Pension Act, amounts deducted from members' eligible salaries and indemnities to secure inflation adjustment supplements and the matching payments made by the Province are transferable once a year from the Account to the Inflation Adjustment Account maintained in the Public Service Superannuation Fund, from which the inflation adjustment supplements are paid. Any excess of contributions received over amounts transferred is reflected in these financial statements as an accounts receivable.

PUBLIC SERVICE SUPERANNUATION FUND

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 1986

7. ACTUARIAL VALUATION

According to the Pension (Public Service) Act, an actuarial valuation of the assets and liabilities of the Fund is required to be made by an Actuary at least once in each consecutive period of not more than five years. The most recent valuation was carried out as at March 31, 1984. The valuation indicated a decrease in the unfunded liability in respect of basic pension benefits from $631,172,000 as of March 31, 1980 to $555,858,000 as of March 31, 1984. This decrease was primarily the result of the increase in the statutory employer contribution rate from 5-3/4% to 8-1/4% effective April 1, 1983.

The contributions required under the pension plan were determined under a "level contribution" funding method. This method expresses employer contributions as a constant percentage of future payrolls that, together with future employee contributions and investment earnings, will finance the benefits for a typical new entrant to the plan and, in addition, will maintain the unfunded liability as a constant percentage of future payrolls.

MEMBERS OF THE LEGISLATIVE ASSEMBLY SUPERANNUATION ACCOUNT

Province of British Columbia

Office of the
Auditor General
Province of British Columbia

8 Bastion Square
Victoria
British Columbia
V8V 1X4

AUDITOR'S REPORT

To the Superannuation Commissioner,

To the Provincial Secretary and Minister of Government Services
Province of British Columbia, and

To the Minister of Finance:

I have examined the statement of financial position of the Members of the Legislative Assembly Superannuation Account, an account in the Ministry of Finance, as at 31 March 1986 and the statement of changes in account balance for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Account as at 31 March 1986 and the changes in the account balance for the year then ended in accordance with the stated accounting policies as set out in note 3 to the financial statements applied on a basis consistent with that of the preceding year.

Erma Morrison, F.C.A.
Auditor General

Victoria, British Columbia
24 June 1986

MEMBERS OF THE LEGISLATIVE ASSEMBLY SUPERANNUATION ACCOUNT

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 1986

	1986	1985
ASSETS		
Cash	$ 292,017	$ -
Contributions receivable	58,211	8,069
Accrued interest on investments	101,396	95,310
Investments		
Short-term	2,612,973	2,325,208
Long-term (Note 4)	1,101,508	1,101,031
	$ 4,166,105	$ 3,529,618
LIABILITIES AND ACCOUNT BALANCE		
LIABILITIES		
Overdraft in Treasury	$ -	$ 106,115
Due to Public Service Superannuation Fund (Note 5)	19,601	119,740
	19,601	225,855
ACCOUNT BALANCE		
Balance at end of year	4,146,504	3,303,763
	$ 4,166,105	$ 3,529,618

The six accompanying notes are an integral part of these financial statements.

APPROVED BY:

John W. Cook, F.C.I.A., Superannuation Commissioner

Victor Barwin, C.A., Director, Finance, Superannuation Commission

MEMBERS OF THE LEGISLATIVE ASSEMBLY SUPERANNUATION ACCOUNT

STATEMENT OF CHANGES IN ACCOUNT BALANCE

FOR THE YEAR ENDED MARCH 31, 1986

	1986	1985
ACCOUNT BALANCE INCREASED BY		
Contributions		
Members of the Legislative Assembly		
Regular	$ 172,252	$ 176,799
Province of British Columbia		
Regular	248,536	239,445
Transfer from Public Service Superannuation Fund (Note 5)	128,755	-
Income from investments	338,646	329,590
	888,189	745,834
ACCOUNT BALANCE DECREASED BY		
Amounts transferable to Public Service Superannuation Fund		
Upon grant of contributory allowances (Note 5)	-	525,544
In respect of inflation adjustment supplements (Note 5)	45,448	119,740
Refunds of members' contributions	-	4,244
	45,448	649,528
NET INCREASE IN ACCOUNT BALANCE	842,741	96,306
ACCOUNT BALANCE AT BEGINNING OF YEAR	3,303,763	3,207,457
ACCOUNT BALANCE AT END OF YEAR	$ 4,146,504	$ 3,303,763

MEMBERS OF THE LEGISLATIVE ASSEMBLY SUPERANNUATION ACCOUNT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 1986

1. DESCRIPTION OF THE MEMBERS OF THE LEGISLATIVE ASSEMBLY SUPERANNUATION ACCOUNT

Under Part 2 of the Legislative Assembly Allowances and Pension Act, the Members of the Legislative Assembly Superannuation Account is an account in the Ministry of Finance of the Province of British Columbia.

The Account receives contributions from the Crown in right of the Province as the employer and from participating members who are elected Members of the Legislative Assembly. The Minister of Finance invests available monies in various short-term and long-term investments.

When a contributor is granted an allowance, the amount of money calculated as that required to finance his or her future contributory pension benefits is transferred to the Public Service Superannuation Fund and monthly allowances are paid from that Fund. Any deficiency in the present value of allowances granted over the amounts available in the Account is provided for by the Province.

2. BENEFITS AVAILABLE UNDER THE PLAN

a) General

The plan is a defined benefit pension plan, whereby benefits are not linked directly to contributions. The plan is open to all members of the legislative assembly.

b) Retirement Benefits

A member is entitled to a pension allowance upon ceasing to be a member after having served 7 years or for more than two parliaments and having attained the age of 55 years or having attained an age plus years of service as a member totalling 60 or more years.

The plan provides a pension allowance of 5% per year of service up to a maximum of 80% of the average legislative allowance, and special allowance and/or ministerial salary earned in the highest four years of service as a member and as a minister or specified office holder. Reference should be made to the plan text for a more detailed description of the benefits.

c) Termination Benefits

A member who ceases to be a member may choose between leaving accumulated contributions on deposit or obtaining a refund. The refund includes interest credited. Former members leaving contributions on deposit are entitled, if otherwise eligible, to a deferred pension allowance benefit.

d) Other Benefits

Survivor benefits are available under the plan.

MEMBERS OF THE LEGISLATIVE ASSEMBLY SUPERANNUATION ACCOUNT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 1986

3. SIGNIFICANT ACCOUNTING POLICIES

a) General Information

These financial statements have been prepared on the accrual basis of accounting. They show only the position of the Account as at March 31, 1986 and the changes in Account balance for the year then ended and do not purport to show the adequacy of the Account to meet the obligations of the superannuation plan.

b) Investment Valuation

Long-term investments are those purchased with a term in excess of one year. They are carried at cost of acquisition adjusted as follows:

(i) Discounts and premiums on single maturity bonds are amortized on a straight line basis over the remaining terms of the bonds.
(ii) Discounts on serial bonds are recognized as income when redemptions occur.

Short-term investments are carried at cost of acquisition.

4. LONG-TERM INVESTMENTS

Long-term investments held at the end of the year are as follows:

	1986 $	1985 $
Book Value	1,101,508	1,101,031
Par Value	1,106,000	1,106,000
Market Value	1,022,113	882,103

The difference between the book value and market value of the investments is not considered to be a permanent reduction of the Account balance available for payment of plan benefits and therefore has not been provided for as at March 31, 1986.

5. PAYMENT OF SUPERANNUATION ALLOWANCES

Former members of the Legislative Assembly who have been granted superannuation allowances are paid contributory allowances and inflation adjustment supplements from the Public Service Superannuation Fund.

Former members receiving an allowance who are re-elected to the Legislature cease to receive an allowance and resume contributing to the Account. In addition, an amount equal to the present value of their superannuation allowance is to be transferred from the Public Service Superannuation Fund to the Account.

MEMBERS OF THE LEGISLATIVE ASSEMBLY SUPERANNUATION ACCOUNT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 1986

5. PAYMENT OF SUPERANNUATION ALLOWANCES (Continued)

During the current year, the Account received $128,755 from the Public Service Superannuation Fund in respect of one member who was re-elected in November 1984. No new superannuation allowances were granted (1985 - one allowance valued at $525,544).

Under the Legislative Assembly Allowances and Pension Act, amounts deducted from members' eligible salaries and indemnities to secure inflation adjustment supplements and the matching payments made by the Province are transferable once a year from the Account to the inflation adjustment account maintained in the Public Service Superannuation Fund, from which the supplementary allowances are paid. Any excess of contributions received over amounts transferred is reflected in these financial statements as an amount due to the Public Service Superannuation Fund.

6. ACTUARIAL VALUATION

No actuarial valuation of the Account is required by the Legislative Assembly Allowances and Pension Act and no such valuation has been performed to date.

MUNICIPAL SUPERANNUATION FUND

Province of British Columbia

Office of the
Auditor General
Province of British Columbia

8 Bastion Square
Victoria
British Columbia
V8V 1X4

AUDITOR'S REPORT

To the Commissioner of Municipal Superannuation, and

To the Provincial Secretary and Minister of Government Services
Province of British Columbia:

I have examined the statement of financial position of the Municipal Superannuation Fund as at 31 December 1985 and the statement of changes in fund balance for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Fund as at 31 December 1985 and the changes in the fund balance for the year then ended in accordance with the stated accounting policies as set out in note 2 to the financial statements applied on a basis consistent with that of the preceding year.

Erma Morrison

Erma Morrison, F.C.A.
Auditor General

Victoria, British Columbia
23 May 1986

MUNICIPAL SUPERANNUATION FUND

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 1985

	1985	1984
ASSETS		
Cash	$ 1,304,290	$ 1,472,042
Contributions receivable	16,078,545	15,897,329
Accrued interest on investments	48,827,298	45,529,630
Investments		
Short-term	738,260,202	788,551,114
Long-term (Note 3)	1,483,114,002	1,131,357,636
Deferred losses less gains on sale of investments (Note 4)	15,789,150	20,370,195
	$2,303,373,487	$2,003,177,946
LIABILITIES AND FUND BALANCE		
LIABILITIES		
Accounts payable and accrued liabilities	$ 2,352,709	$ 2,220,113
FUND BALANCE (Note 5)		
Basic Account	2,010,815,967	1,774,600,196
Retirement Annuity Account	79,218,177	72,090,460
Inflation Adjustment Account	210,986,634	154,267,177
	2,301,020,778	2,000,957,833
	$2,303,373,487	$2,003,177,946

The six accompanying notes are an integral part of these financial statements.

APPROVED BY:

John W Cook

John W. Cook, F.C.I.A., Superannuation Commissioner, Trustee

Victor Barwin

Victor Barwin, C.A., Director, Finance, Superannuation Commission

MUNICIPAL SUPERANNUATION FUND

STATEMENT OF CHANGES IN FUND BALANCE

FOR THE YEAR ENDED DECEMBER 31, 1985

	1985	1984
FUND BALANCE INCREASED BY		
Contributions		
Employees		
Basic	$ 85,767,670	$ 85,482,808
Inflation adjustment	16,210,966	15,931,890
Voluntary, special agreement and arrears	2,900,977	2,479,158
Purchase of service	125,596	153,686
Leave of absence	6,704	21,842
Reinstatement	80,561	72,585
	105,092,474	104,141,969
Employers		
Current service	84,863,088	84,098,299
Inflation adjustment	16,212,378	15,930,809
Past service	-	427,083
Purchase of service, special agreement and arrears	3,287,813	3,119,148
Leave of absence	7,823	14,750
	104,371,102	103,590,089
Transfers from other funds	85,969	337,341
Income from investments	216,784,445	189,505,432
	426,333,990	397,574,831
FUND BALANCE DECREASED BY		
Superannuation allowance payments		
Contributory	82,799,201	72,845,705
Inflation adjustment supplements (Note 5)	16,647,134	14,030,280
Special agreement supplementary allowances	197,075	229,565
Less reimbursement by former employers	(88,192)	(94,548)
	99,555,218	87,011,002
Refunds	22,765,595	20,375,667
Transfers to other funds	257,756	223,688
Pensioners' medical premiums - matching portion	1,297,859	1,120,744
Administration and actuarial expenses	1,741,879	1,711,496
Investment management fees	652,738	575,685
	126,271,045	111,018,282
NET INCREASE IN FUND BALANCE	300,062,945	286,556,549
FUND BALANCE AT BEGINNING OF YEAR	2,000,957,833	1,714,401,284
FUND BALANCE AT END OF YEAR	$2,301,020,778	$2,000,957,833

MUNICIPAL SUPERANNUATION FUND

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1985

1. DESCRIPTION OF THE MUNICIPAL SUPERANNUATION PLAN

a) General

The plan is a defined benefit pension plan, whereby benefits are not linked directly to contributions. The plan is open to eligible employees of a municipality, hospital, school district, regional college or other employer to which the Pension (Municipal) Act applies.

b) Retirement Benefits

Members are eligible for unreduced benefits if they retire at age 55 with a minimum of 35 years contributory service, at age 60 with a minimum of 10 years contributory service and at age 65 with less than 10 years contributory service. Reduced pensions are available at age 55 with a minimum of 10 years contributory service, and at age 60 with less than 10 years contributory service.

Certain groups of employees are eligible for retirement benefits at an earlier age. Hospital employees must have a minimum of 10 years contributory service to be eligible for a pension benefit.

The plan provides a pension of 2% per year of service prior to age 65 up to a maximum of 70% of the average salary earned in the five highest earning years before retirement. At age 65, date of death, or disability there is a reduction in the formula as a result of the integration with the Canada Pension Plan. Reference should be made to the plan text for a more detailed description of the benefits.

c) Termination Benefits

A terminating employee may choose between leaving accumulated contributions on deposit or obtaining a refund. The refund includes interest credited. Employees leaving contributions on deposit for a minimum of 10 years are entitled to a deferred pension benefit if they have completed a minimum of 10 years contributory service.

d) Other Benefits

Disability and Survivor benefits are available under the plan.

2. SIGNIFICANT ACCOUNTING POLICIES

a) General Information

These financial statements have been prepared on the accrual basis of accounting. They show only the position of the Fund as at December 31, 1985 and the changes in Fund balance for the year then ended and do not purport to show the adequacy of the Fund to meet the obligations of the superannuation plan. The results of the latest actuarial valuation of the plan are described in Note 6.

MUNICIPAL SUPERANNUATION FUND

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1985

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Investment Valuation

Long-term investments are those purchased with a term in excess of one year. They are carried at cost of acquisition adjusted as follows:

(i) Discounts and premiums on single maturity bonds are amortized on a straight line basis over the remaining terms of the bonds.
(ii) Discounts on serial bonds are recognized as income when redemptions occur.

Gains and losses on disposal of long-term investments are deferred and amortized on a straight line basis over the lesser of the remaining terms of the investments or twenty years. The amortization is charged against income from investments.

Short-term investments are carried at cost of acquisition.

3. LONG-TERM INVESTMENTS

Long-term investments held at the end of the year are as follows:

	1985 $	1984 $
Book Value	1,483,114,002	1,131,357,636
Par Value	1,557,760,578	1,187,031,953
Market Value	1,490,067,572	1,001,653,848

4. DEFERRED LOSSES LESS GAINS ON SALE OF INVESTMENTS

	1985 $	1984 $
Balance at beginning of year	20,370,195	3,160,835
Losses less gains on sale of investments	(2,614,262)	17,851,652
	17,755,933	21,012,487
Amortization for the year	(1,966,783)	(642,292)
Balance at end of year	15,789,150	20,370,195

MUNICIPAL SUPERANNUATION FUND

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1985

5. FUND BALANCE

The Fund balance is made up of a Basic Account, a Retirement Annuity Account and an Inflation Adjustment Account. The Inflation Adjustment Account was created in 1980 to finance the payment of inflation adjustment supplements. These supplements are adjusted each January 1st and are related to the annual increase in the Consumer Price Index as at each previous September 30th, but may be limited by the availability of funds in the Inflation Adjustment Account to provide the capitalized value of the increases.

The Inflation Adjustment Account includes contributions by employees and employers each at the rate of 1% of salary, the interest income therefrom, and the interest income earned at a rate in excess of that assumed by the actuary on fund assets held in the Basic Account in respect of pensions being paid. It is decreased by refunds to former contributors, payment of investment management fees in respect of Inflation Adjustment Account investments and transfers to the Basic Account in respect of the capitalized value of inflation adjustment supplements granted. The Retirement Annuity Account consists of employees' voluntary contributions, employees' and employers' special agreement contributions and the interest income therefrom. The Basic Account consists of all other assets of the Fund.

Excess interest earnings for the year ended December 31, 1985 amounting to $32,734,087 ($24,700,986 in 1984) transferable from the Basic Account to the Inflation Adjustment Account are reflected in the Accounts balances. Effective January 1, 1986, inflation adjustment supplements at the rate of 4.1% (3.8% effective January 1, 1985) of the basic lifetime portion of contributory allowances in force were granted. The capitalized value of these inflation adjustment supplements was $23,968,319 ($21,957,247 in 1985), and was transferred from the Inflation Adjustment Account to the Basic Account.

6. ACTUARIAL VALUATION

According to the Pension (Municipal) Act, an actuarial valuation of the assets and liabilities of the Fund is required to be made by an Actuary from time to time at intervals of not more than five years. The most recent valuation was carried out as at December 31, 1982. The actuary advised that the unfunded liability as at that date was $700,454,000 for basic pension benefits. This represented an increase of $293,182,000 since December 31, 1979. The Actuary also stated that he did not see the increase in the unfunded liability as a threat to the continued payment of pensions to current and prospective pensioners or to the financial health of the plan.

The contributions required under the superannuation plan have been determined under a "level contribution" funding method. This method expresses employer contributions as a constant percentage of future payrolls that, together with future employee contributions and investment earnings, will finance the benefits for a typical new entrant to the plan and, in addition, will maintain the unfunded liability as a constant percentage of future payrolls.

TEACHERS' PENSIONS FUND

Province of British Columbia

Office of the
Auditor General
Province of British Columbia

8 Bastion Square
Victoria
British Columbia
V8V 1X4

AUDITOR'S REPORT

To the Commissioner of Teachers' Pensions, and

To the Provincial Secretary and Minister of Government Services
Province of British Columbia

I have examined the statement of financial position of the Teachers' Pensions Fund as at 31 December 1985 and the statement of changes in fund balance for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Fund as at 31 December 1985 and the changes in the fund balance for the year then ended in accordance with the stated accounting policies as set out in note 2 to the financial statements applied on a basis consistent with that of the preceding year.

Erma Morrison

Erma Morrison, F.C.A.
Auditor General

Victoria, British Columbia
22 April 1986

TEACHERS' PENSIONS FUND

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 1985

	1985	1984
ASSETS		
Cash	$ 3,115,296	$ 1,609,031
Contributions receivable	7,797,905	6,714,129
Accrued interest on investments	39,228,896	36,282,851
Investments		
Short-term	549,918,513	612,125,143
Long-term (Note 3)	1,141,528,579	854,617,669
Deferred losses less gains on sale of investments (Note 4)	13,917,961	16,888,870
	$1,755,507,150	$1,528,237,693
LIABILITIES AND FUND BALANCE		
LIABILITIES		
Accounts payable and accrued liabilities	$ 1,123,563	$ 1,173,188
FUND BALANCE (Note 5)		
Basic Account	1,595,336,567	1,411,044,422
Inflation Adjustment Account	159,047,020	116,020,083
	1,754,383,587	1,527,064,505
	$1,755,507,150	$1,528,237,693

The six accompanying notes are an integral part of these financial statements.

APPROVED BY:

John W. Cook, F.C.I.A., Superannuation Commissioner, Trustee

Victor Barwin, C.A., Director, Finance, Superannuation Commission

TEACHERS' PENSIONS FUND

STATEMENT OF CHANGES IN FUND BALANCE

FOR THE YEAR ENDED DECEMBER 31, 1985

	1985	1984
FUND BALANCE INCREASED BY		
Contributions		
Employees		
Basic	$ 56,560,211	$ 58,228,334
Inflation adjustment	10,042,287	10,192,973
Voluntary	67,642	53,201
Reinstatement	383,071	268,150
Leave of absence	194,513	92,639
Military or other service	95,968	231,421
	67,343,692	69,066,718
Employers		
Paid by the Province of British Columbia on behalf of school districts		
Basic	83,425,040	85,578,590
Inflation adjustment	10,014,460	10,163,547
Recognition of service	95,968	231,421
Contributions paid by other employers		
Basic	246,386	255,192
Inflation adjustment	28,707	29,426
	93,810,561	96,258,176
Transfers from other funds	602,307	451,123
Income from investments	168,923,825	147,807,567
	330,680,385	313,583,584
FUND BALANCE DECREASED BY		
Superannuation allowance payments		
Contributory	77,675,258	69,641,139
Inflation adjustment supplements (Note 5)	17,578,693	14,929,314
	95,253,951	84,570,453
Refunds	5,912,274	5,443,274
Transfers to other funds	710,727	181,806
Administration and actuarial expenses	912,512	828,870
Investment management fees	571,839	509,945
	103,361,303	91,534,348
NET INCREASE IN FUND BALANCE	227,319,082	222,049,236
FUND BALANCE AT BEGINNING OF YEAR	1,527,064,505	1,305,015,269
FUND BALANCE AT END OF YEAR	$1,754,383,587	$1,527,064,505

TEACHERS' PENSIONS FUND

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1985

1. DESCRIPTION OF THE TEACHERS' PENSIONS PLAN

a) General

The plan is a defined benefit pension plan, whereby benefits are not linked directly to contributions. The plan is open to all certificated teachers and to superintendents or assistant superintendents appointed by a board of school trustees in the British Columbia public school system.

b) Retirement Benefits

Members are eligible for unreduced benefits if they retire at age 55 with a minimum of 35 years contributory service and at age 60 with a minimum of 10 years contributory service. Reduced pensions are available at age 55 with a minimum of 10 years contributory service.

The plan provides a pension of 2% per year of service prior to age 65 up to a maximum of 70% of the average salary earned in the five highest earning years before retirement. At age 65, date of death, or disability there is a reduction in the formula as a result of the integration with the Canada Pension Plan. Reference should be made to the plan text for a more detailed description of the benefits.

c) Termination Benefits

A terminating employee may choose between leaving accumulated contributions on deposit or obtaining a refund. The refund includes interest credited. Employees leaving contributions on deposit are entitled to a deferred pension benefit if they have completed a minimum of 10 years contributory service.

d) Other Benefits

Disability and Survivor benefits are available under the plan.

2. SIGNIFICANT ACCOUNTING POLICIES

a) General Information

These financial statements have been prepared on the accrual basis of accounting. They show only the position of the Fund as at December 31, 1985 and the changes in Fund balance for the year then ended and do not purport to show the adequacy of the Fund to meet the obligations of the pension plan. The results of the latest actuarial valuation of the plan are described in Note 6 below.

TEACHERS' PENSIONS FUND

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1985

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Investment Valuation

Long-term investments are those purchased with a term in excess of one year. They are carried at cost of acquisition adjusted as follows:

(i) Discounts and premiums on single maturity bonds are amortized on a straight line basis over the remaining terms of the bonds.
(ii) Discounts on serial bonds are recognized as income when redemptions occur.

Gains and losses on disposal of long-term investments are deferred and amortized on a straight line basis over the lesser of the remaining terms of the investments or twenty years. The amortization is charged against income from investments.

Short-term investments are carried at cost of acquisition.

3. LONG-TERM INVESTMENTS

Long-term investments held at the end of the year are as follows:

	1985 $	1984 $
Book Value	1,141,528,579	854,617,669
Par Value	1,221,608,000	918,919,560
Market Value	1,155,566,932	759,814,347

4. DEFERRED LOSSES LESS GAINS ON SALE OF INVESTMENTS

	1985 $	1984 $
Balance at beginning of year	16,888,870	2,660,842
Losses less gains on sale of investments	(1,230,074)	14,742,346
	15,658,796	17,403,188
Amortization for the year	1,740,835	514,318
Balance at end of year	13,917,961	16,888,870

TEACHERS' PENSIONS FUND

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1985

5. FUND BALANCE

The Fund balance is made up of a Basic Account and an Inflation Adjustment Account. The Inflation Adjustment Account was created in 1980 to finance the payment of inflation adjustment supplements. These supplements are adjusted each January 1st and are related to the annual increase in the Consumer Price Index as at each previous September 30th, but may be limited by the availability of funds in the Inflation Adjustment Account to provide the capitalized value of the increases.

The Inflation Adjustment Account includes contributions by employees and employers each at the rate of 1% of salary, the interest income therefrom and the interest income earned at a rate in excess of that assumed by the actuary on fund assets held in the Basic Account in respect of pensions being paid. It is decreased by refunds to former contributors, payment of investment management fees in respect of Inflation Adjustment Account investments and transfers to the Basic Account in respect of the capitalized value of inflation adjustment supplements granted. The Basic Account consists of all other assets of the Fund.

Excess interest earnings for the year ended December 31, 1985 amounting to $33,578,156 ($27,261,839 in 1984) transferable from the Basic Account to the Inflation Adjustment Account are reflected in the Accounts balances. Effective January 1, 1986, inflation adjustment supplements at the rate of 4.1% (3.8% effective January 1, 1985) of the basic lifetime portion of contributory allowances in force were granted. The capitalized value of these inflation adjustment supplements was $23,396,679 ($18,288,150 in 1985), and was transferred from the Inflation Adjustment Account to the Basic Account.

6. ACTUARIAL VALUATION

According to the Pension (Teachers) Act, an actuarial valuation of the assets and liabilities of the Fund is required to be made by an Actuary from time to time at intervals of not more than five years. The most recent valuation was carried out as at December 31, 1984. The actuary advised that the unfunded liability as at that date was $1,392,116,000 for basic pension benefits. This represented an increase of $372,846,000 since December 31, 1980, and arose mainly from interest charges on the unfunded liability. The actuary stated that he did not see the increase in the unfunded liability as a threat to the continued payment of pensions to current and prospective pensioners.

The contributions required under the pension plan were determined under a "level contribution" funding method. This method expresses employer contributions as a constant percentage of future payrolls that, together with future employee contributions and investment earnings, will finance the benefits for a typical new entrant to the plan and, in addition, will maintain the unfunded liability as a constant percentage of future payrolls.

The actuary reported that the contribution rate required to support the "level contribution" funding method would be 16.44% of salaries. The current statutory contribution rate is 15.90% of salaries, which includes temporary additional contributions of 0.1% from both the employees and employers until June 30, 1989.

COLLEGE PENSION FUND

Province of
British Columbia

Office of the
Auditor General
Province of British Columbia

8 Bastion Square
Victoria
British Columbia
V8V 1X4

AUDITOR'S REPORT

To the Superannuation Commissioner, Trustee and

To the Provincial Secretary and Minister of Government Services
Province of British Columbia

I have examined the statement of financial position of the College Pension Fund as at 31 August 1985 and the statement of changes in fund balance for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Fund as at 31 August 1985 and the changes in the fund balance for the year then ended in accordance with the stated accounting policies as set out in note 2 to the financial statements applied on a basis consistent with that of the preceding year.

Erma Morrison, F.C.A.
Auditor General

Victoria, British Columbia
13 December 1985

COLLEGE PENSION FUND

STATEMENT OF FINANCIAL POSITION

AS AT AUGUST 31, 1985

	1985	1984
ASSETS		
Cash	$ 2,821,724	$ 1,247,544
Contributions receivable	1,123,435	1,161,448
Accrued interest on investments	4,075,478	3,718,193
Investments		
Short-term	96,687,027	76,197,800
Long-term (Note 3)	37,402,667	37,420,728
Deferred losses less gains on sale of investments (Note 4)	557,017	597,877
	$ 142,667,348	$ 120,343,590
LIABILITIES AND FUND BALANCE		
LIABILITIES		
Accounts payable and accrued liabilities	$ 104,500	$ 74,462
FUND BALANCE (Note 5)		
Basic Account	130,112,787	110,799,299
Inflation Adjustment Account	12,450,061	9,469,829
	142,562,848	120,269,128
	$ 142,667,348	$ 120,343,590

The six accompanying notes are an integral part of these financial statements.

APPROVED BY:

John W Cook

John W. Cook, F.C.I.A., Superannuation Commissioner, Trustee

Victor Barwin

Victor Barwin, C.A., Director, Finance, Superannuation Commission

COLLEGE PENSION FUND

STATEMENT OF CHANGES IN FUND BALANCE

FOR THE YEAR ENDED AUGUST 31, 1985

	1985	1984
FUND BALANCE INCREASED BY		
Contributions		
Employees		
Basic	$ 5,204,587	$ 5,377,231
Inflation adjustment	1,007,667	1,025,780
Voluntary	7,423	2,640
Arrears	41,967	50,552
	6,261,644	6,456,203
Employers		
Basic	5,204,587	5,377,231
Inflation adjustment	1,007,667	1,025,780
Arrears	45,712	50,552
	6,257,966	6,453,563
Transfers from other funds	2,920	28,364
Income from investments	13,477,995	10,846,059
	26,000,525	23,784,189
FUND BALANCE DECREASED BY		
Superannuation allowance payments		
Contributory	1,686,831	1,343,982
Inflation adjustment supplements (Note 5)	284,627	226,478
	1,971,458	1,570,460
Refunds	1,436,662	923,789
Transfers to other funds	113,565	-
Pensioners' medical premiums - matching portion	22,483	18,122
Administration and actuarial expenses	68,481	81,362
Investment management fees	94,156	74,577
	3,706,805	2,668,310
NET INCREASE IN FUND BALANCE	22,293,720	21,115,879
FUND BALANCE AT BEGINNING OF YEAR	120,269,128	99,153,249
FUND BALANCE AT END OF YEAR	$ 142,562,848	$ 120,269,128

COLLEGE PENSION FUND

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 1985

1. DESCRIPTION OF THE COLLEGE PENSION PLAN

a) General

The plan is a defined benefit pension plan, whereby benefits are not directly linked to contributions. The plan is open to full-time faculty members of a college or college council in British Columbia, other faculty members whose application has been approved by the employer, and full-time senior administrative employees who are required by the employer to become a contributor. Full-time faculty members may apply within one month of date of appointment to be exempted from contributing to the plan.

b) Retirement Benefits

Members are eligible for unreduced benefits if they retire at age 55 with a minimum of 35 years contributory service, at age 60 with a minimum of 10 years contributory service and at age 65 with less than 10 years contributory service. Reduced pensions are available at age 55 with a minimum of 10 years contributory service, and at age 60 with less than 10 years contributory service.

The plan provides a pension of 2% per year of service up to a maximum of 70% prior to age 65 of the average salary earned in the five highest earning years before retirement. At age 65, date of death or disability, there is a reduction in the formula as a result of the integration with the Canada Pension Plan (the CPP offset). Reference should be made to the plan text for a more detailed description of the benefits.

c) Termination Benefits

A terminating employee may choose between leaving accumulated contributions on deposit or obtaining a refund. The refund includes interest credited. Employees leaving contributions on deposit are entitled to a deferred pension benefit.

d) Other Benefits

Disability and Survivor benefits are available under the plan.

2. SIGNIFICANT ACCOUNTING POLICIES

a) General Information

These financial statements have been prepared on the accrual basis of accounting. They show only the position of the Fund as at August 31, 1985 and the changes in Fund balance for the year then ended and do not purport to show the adequacy of the Fund to meet the obligations of the pension plan. The results of the latest actuarial valuation of the plan are described in Note 6 below.

b) Investment Valuation

Long-term investments are those purchased with a term in excess of one year and include bonds issued or guaranteed by Canada or a Province. They are carried at cost of acquisition adjusted as follows:

(i) Discounts and premiums on single maturity bonds are amortized on a straight line basis over the remaining terms of the bonds.
(ii) Discounts on serial bonds are recognized as income when redemptions occur.

COLLEGE PENSION FUND

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 1985

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Gains and losses on disposal of long-term investments are deferred and amortized on a straight line basis over the lesser of the remaining terms of the investments or twenty years. The amortization is charged against income from investments.

Short-term investments are carried at cost of acquisition.

3. LONG-TERM INVESTMENTS

Long-term investments held at the end of the year are as follows:

	1985 $	1984 $
Book Value	37,402,667	37,420,728
Par Value	37,868,000	37,919,000
Market Value	34,846,269	29,866,709

The difference between the book value and the market value of the investments is not considered to be a permanent reduction of the Fund balance available for payment of plan benefits and therefore has not been provided for as at August 31, 1985.

4. DEFERRED LOSSES LESS GAINS ON SALE OF INVESTMENTS

	1985 $	1984 $
Balance at beginning of year	597,877	387,052
Losses less gains on sale of investments	-	216,310
	597,877	603,362
Amortization for the year	40,860	5,485
Balance at end of year	557,017	597,877

5. FUND BALANCE

The Fund balance is made up of a Basic Account and an Inflation Adjustment Account. The Inflation Adjustment Account was created in 1980 to finance the payment of inflation adjustment supplements. These supplements are adjusted each January 1st and are related to the annual increase in the Consumer Price Index as at each previous September 30th, but may be limited by the availability of funds in the Inflation Adjustment Account to provide the capitalized value of the increases.

The Inflation Adjustment Account includes contributions by employees and employers each at the rate of 1% of salary, the interest income therefrom, and the interest income on Basic Account funds attributed to the payment of pensions in excess of the rate assumed by the actuary.

The Inflation Adjustment Account is decreased by refunds to former contributors and transfers to the Basic Account of the capitalized value of supplementary allowances granted. The Basic Account consists of all other assets of the Fund.

COLLEGE PENSION FUND

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 1985

5. FUND BALANCE (Continued)

Excess interest earnings for the year ended August 31, 1985 of $523,273, ($358,206 in 1984), transferable from the Basic Account to the Inflation Adjustment Account are reflected in the Fund balances. Effective January 1, 1985, inflation adjustment supplements at the rate of 3.8% (5% in 1984) of the basic life time portion of superannuation allowances in force were granted. The capitalized value of these inflation adjustment supplements in 1985 was $414,065, ($402,326 in 1984), which amount was transferred from the Inflation Adjustment Account to the Basic Account.

6. ACTUARIAL VALUATION

Accoroing to the Pension (College) Act, an actuarial valuation of the assets and liabilities of the Fund is required to be made by an Actuary upon request by the Superannuation Commissioner.

The most recent valuation was carried out as at August 31, 1981. The valuation inoicated an unfunded liability in respect of basic pension benefits of approximately $45,422,000 as of August 31, 1981, compared to $12,290,000 as of August 31, 1976, the date of the previous valuation. The increase in the unfunded liability was caused mainly by inadequacies in the statutory contribution rates, combined with growth in the covered membership and actual salary increases greater than those assumed by the Actuary in the previous valuation. Liabilities of the fund are calculated under the "entry age normal" actuarial method, applied on an aggregate basis.

An actuarial valuation as at August 31, 1985 is currently in progress.

BC RAIL LTD. PENSION FUND

Province of
British Columbia

Office of the
Auditor General
Province of British Columbia

8 Bastion Square
Victoria
British Columbia
V8V 1X4

AUDITOR'S REPORT

To the Directors, B.C. Rail Ltd., and

To the Provincial Secretary and Minister of Government Services
Province of British Columbia:

I have examined the statement of financial position of the B.C. Rail Ltd. Pension Fund as at 31 December 1985 and the statement of changes in fund balance for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Fund as at 31 December 1985 and the changes in the fund balance for the year then ended in accordance with the stated accounting policies as set out in note 3 to the financial statements applied on a basis consistent with that of the preceding year.

Erma Morrison, F.C.A.
Auditor General

Victoria, British Columbia
21 February 1986

BC RAIL LTD. PENSION FUND

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 1985

	1985	1984
ASSETS		
Cash	$ 535,280	$ 457,810
Contributions receivable	949,052	1,158,374
Accrued interest on investments	2,989,171	2,878,684
Investments		
Short-term	31,549,001	54,258,643
Long-term (Note 4)	101,157,951	61,221,667
Deferred losses less gains, on sale of investments (Note 5)	325,861	501,918
	$ 137,506,316	$ 120,477,096
LIABILITIES AND FUND BALANCE		
LIABILITIES		
Accounts payable and accrued liabilities	27,787	21,461
Due to BC Rail Ltd.	-	1,486,425
	27,787	1,507,886
FUND BALANCE		
Pension Fund Basic Account	137,075,259	118,594,993
Employee Voluntary Contributions Account	403,270	374,217
	137,478,529	118,969,210
	$ 137,506,316	$ 120,477,096

The seven accompanying notes are an integral part of these financial statements.

APPROVED BY:

John W Cook

John W. Cook, F.C.I.A., Superannuation Commissioner, Trustee

Victor Barwin

Victor Barwin, C.A., Director, Finance, Superannuation Commission

BC RAIL LTD. PENSION FUND

STATEMENT OF CHANGES IN FUND BALANCE

FOR THE YEAR ENDED DECEMBER 31, 1985

	1985	1984
FUND BALANCE INCREASED BY		
Employee contributions		
Current	$ 4,068,202	$ 4,168,709
Arrears and purchase of service	25,245	28,000
Voluntary	82,784	72,161
	4,176,231	4,268,870
Employer contributions		
Current	4,068,202	5,076,123
Arrears and purchase of service	23,598	10,488
Amortization of unfunded liability	-	405,000
	4,091,800	5,491,611
Income from investments	13,303,177	11,219,760
	21,571,208	20,980,241
FUND BALANCE DECREASED BY		
Pension payments	1,972,465	1,624,794
Refunds	996,502	720,950
Investment management fees	92,922	73,731
	3,061,889	2,419,475
NET INCREASE IN FUND BALANCE	18,509,319	18,560,766
FUND BALANCE AT BEGINNING OF YEAR	118,969,210	100,408,444
FUND BALANCE AT END OF YEAR	$ 137,478,529	$ 118,969,210

BC RAIL LTD. PENSION FUND

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1985

1. STATUS OF THE PENSION FUND

Effective June 19, 1984, BC Rail Ltd. assumed the responsibility for the British Columbia Railway Company Pension Plan. All employees of the British Columbia Railway Company were transferred to BC Rail Ltd. during 1984 or on January 1, 1985 and continued their membership in the plan without interruption.

2. DESCRIPTION OF THE BC RAIL LTD. PENSION PLAN

a) General

The plan is a defined benefit pension plan, whereby benefits are not directly linked to contributions. All eligible employees are required to enrol.

b) Retirement Benefits

Members are eligible for unreduced benefits if they retire at age 60 or later with a minimum of 25 years contributory service or at age 65. Reduced pensions are available between age 55 and 65 with a minimum of 10 years of contributory service.

The plan provides a pension of 2% per year of service prior to age 65 up to a maximum of 70% of the average salary earned in the five highest earning years of any period of 10 consecutive years. At age 65 there is a reduction in the formula as a result of the integration with the Canada Pension Plan. Reference should be made to the plan text for a more detailed description of the benefits.

c) Termination Benefits

A terminating employee may choose between leaving accumulated contributions on deposit or obtaining a refund. The refund includes interest credited. Employees leaving contributions on deposit having contributed to the Fund for a minimum of 10 years are entitled to a deferred pension benefit.

3. SIGNIFICANT ACCOUNTING POLICIES

a) General Information

These financial statements have been prepared on the accrual basis of accounting. They show only the position of the Fund as at December 31, 1985 and the changes in Fund balance for the year then ended and do not purport to show the adequacy of the Fund to meet the obligations of the pension plan. The results of the latest actuarial valuation of the plan are described in Note 6 below.

BC RAIL LTD. PENSION FUND

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1985

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Investment Valuation

Long-term investments are those purchased with a term in excess of one year. They are carried at cost of acquisition adjusted as follows:

(i) Discounts and premiums on single maturity bonds are amortized on a straight line basis over the remaining terms of the bonds.
(ii) Discounts on serial bonds are recognized as income when redemptions occur.

Gains and losses on disposal of long-term investments are deferred and amortized on a straight line basis over the lesser of the remaining terms of the investments or twenty years. The amortization is charged against income from investments.

Short-term investments are carried at cost of acquisition.

4. LONG-TERM INVESTMENTS

Long-term investments held at the end of the year are as follows:

	1985 $	1984 $
Book value	101,157,951	61,221,667
Par Value	105,932,000	62,743,000
Market value	103,438,618	54,426,288

5. DEFERRED LOSSES LESS GAINS ON SALE OF INVESTMENTS

	1985 $	1984 $
Balance at beginning of year	501,918	381,176
Net losses (net gains) on sale of investments	(153,303)	117,525
	348,615	498,701
Amortization for the year	(22,754)	3,217
Balance at end of year	325,861	501,918

BC RAIL LTD. PENSION FUND

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1985

6. ACTUARIAL VALUATION

According to the articles of the BC Rail Ltd. Pension Plan, an actuarial valuation of the assets and liabilities of the Fund is required to be made by an Actuary every three years. A valuation was carried out as at May 31, 1984. The valuation disclosed that the Fund had a funding excess of $7,983,000 ($8,557,000 unfunded liability - 1981 valuation).

Among the factors contributing to the change from the unfunded liability to the funding excess were experience gains due primarily to improved investment performance and lower than expected salary and pension increases. Application of the maximum benefit rule required by Revenue Canada and removal of the fluctuation reserve for asset valuation (both required in recognition of B.C. Rail Ltd.'s status as a taxable corporation) also contributed to this improvement. Offsetting these factors has been the adoption of more conservative economic assumptions used in the actuarial valuation.

Liabilities of the Fund are calculated under the "attained age" actuarial cost method.

On the Actuary's recommendation, BC Rail Ltd. is matching employee contributions from June 1984 to the date of the next actuarial valuation.

7. COMPARATIVE FIGURES

Certain 1984 comparative figures on the statement of changes in fund balance have been reclassified to conform with the financial statement presentation adopted in 1985. These changes have had no effect on net increase in fund balance for 1984.

BRITISH COLUMBIA HYDRO AND POWER AUTHORITY PENSION FUND

Chartered Accountants

Price Waterhouse Centre
601 West Hastings Street
Vancouver, B.C. V6B 5A5

(604) 682 4711
Telex 04 507740
Telecopier (604) 662 5300

Price Waterhouse

March 21, 1986

AUDITORS' REPORT

Superannuation Commissioner,
Province of British Columbia:

We have examined the balance sheet of the British Columbia Hydro and Power Authority Pension Fund as at December 31, 1985 and the statement of changes in fund balance for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances. The Minister of Finance of the Province of British Columbia has confirmed to us that the securities representing the Fund's investments were held for safekeeping by him as at December 31, 1985.

In our opinion, these financial statements present fairly the financial position of the Fund as at December 31, 1985 and the changes in fund balance for the year then ended in accordance with the provisions of the Plan and generally accepted accounting principles consistently applied.

Price Waterhouse

Chartered Accountants

BRITISH COLUMBIA HYDRO AND POWER AUTHORITY
PENSION FUND

BALANCE SHEET

	December 31 1985	1984
ASSETS		
Cash	$ 2,523,663	$ 4,545,324
Contributions receivable	1,797,055	1,192,067
Accrued interest	13,083,313	12,663,664
Investments		
Short-term (Note 3)	159,138,643	174,631,870
Long-term (Note 4)	359,822,997	286,681,665
	518,961,640	461,313,535
	$536,365,671	$479,714,590
LIABILITIES AND FUND BALANCE		
LIABILITIES		
Accounts payable and accrued liabilities		
Administration and investment management expenses	$ 319,837	$ 365,376
Pensions	47,609	90,279
	367,446	455,655
Deferred gains less losses on sale of investments (Note 5)	687,994	220,656
FUND BALANCE		
Pension account - amount available for payment of pensions in effect	179,985,750	149,318,593
Compulsory contributions account	146,586,161	136,400,431
Additional voluntary contributions account	1,684,900	1,652,826
Employer matching contributions account	146,586,161	136,400,431
Index pension account	35,513,826	32,475,409
Index reserve account	15,053,119	15,128,950
Reserve account	9,900,314	7,661,639
	535,310,231	479,038,279
	$536,365,671	$479,714,590

APPROVED BY:

John W. Cook, F.C.I.A., Superannuation Commissioner

Victor Barwin, C.A., Director, Finance, Superannuation Commission

BRITISH COLUMBIA HYDRO AND POWER AUTHORITY
PENSION FUND

STATEMENT OF CHANGES IN FUND BALANCE

	Year ended December 31	
	1985	1984
FUND BALANCE INCREASED BY		
Employee contributions		
Basic pension	$ 12,436,191	$ 13,239,895
Indexed pension	3,229,868	3,444,379
Additional voluntary	648,976	714,241
Reinstatements	41,779	-
Employer matching contributions		
Basic pension	12,436,191	13,239,895
Indexed pension	3,229,868	3,444,379
Contributions transferred under clause 12	30,257	59,640
Payment by B.C. Hydro in respect of		
Actuarial deficiency (Note 6)	3,061,000	3,061,000
Indexed pensions additional (Note 7)	1,194,248	1,194,248
Payment by Metro Transit Operating Company for indexing costs (Note 8)	549,644	564,475
Payment by Pacific Coach Lines in respect of indexing payments for P.C.L. pensioners (Note 8)	-	1,645,659
Transfers from other funds	158,917	17,074
Income on investments	53,470,877	47,872,198
	90,487,816	88,497,083
FUND BALANCE DECREASED BY		
Basic pension payments	20,600,968	16,652,914
Indexed pension payments	5,809,179	5,321,954
Employee contributions refunded	7,284,557	4,105,890
Separation of passenger transportation employees (Note 8)	-	3,455,515
Transfers to other funds	149,531	36,471
Administration, investment management and audit expenses	371,629	324,296
	34,215,864	29,897,040
NET INCREASE IN FUND BALANCE	56,271,952	58,600,043
FUND BALANCE AT BEGINNING OF YEAR	479,038,279	420,438,236
FUND BALANCE AT END OF YEAR	$535,310,231	$479,038,279

BRITISH COLUMBIA HYDRO AND POWER AUTHORITY
PENSION FUND

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1985

1. FINANCIAL STATEMENTS

The accompanying financial statements show only the position of the Fund as at December 31, 1985 and the changes in fund balance for the year then ended. They do not purport to show the adequacy of the fund to meet the obligations of the Plan.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Gains and losses on sale of long-term investments are deferred and amortized to income on a straight-line basis over the lesser of the remaining term of the investments disposed of or twenty years.

(b) Premiums and discounts on the purchase of long-term investments are amortized to income on a straight-line basis over the remaining term of the investments.

3. SHORT-TERM INVESTMENTS

Short-term investments are recorded at cost of acquisition, and comprise deposits with and notes of banks and other financial institutions which mature within twelve months from December 31, 1985. Interest accrued on these investments is included in the caption accrued interest on the balance sheet at December 31, 1985.

Purchases of U.S. short-term investments, which are hedged by forward exchange contracts, are recorded in Canadian dollars at the exchange rate prevailing at the date of the transaction. Proceeds upon maturity are realized at the hedged rate.

4. LONG-TERM INVESTMENTS

	1985	1984
At cost, after amortization	$359,822,997	$286,681,665
Par value	$371,951,250	$294,228,000
Market value	$364,806,523	$255,283,808
Excess (deficiency) of market value over cost	$ 4,983,526	$(31,397,857)

5. DEFERRED GAINS LESS LOSSES ON SALE OF INVESTMENTS

	1985	1984
Balance at beginning of year	$220,656	$ 853,229
Net gains (losses) on sale of investments	710,417	(104,389)
	931,073	748,840
Amortization for the year	243,079	528,184
Balance at end of year	$687,994	$ 220,656

6 ACTUARIAL VALUATION

A preliminary actuarial report, dated April 23, 1986, indicated an accrued actuarial deficit in the plan as at December 31, 1985, including the liability resulting from pension indexing referred to in Note 7, of approximately $16,700,000 (December 31, 1984 - $29,000,000). B.C. Hydro is funding the deficit by annual payments of $4,255,248 to March 31, 1997 and $3,061,000 per annum thereafter to March 31, 2000.

7. INDEXED PENSION

Indexing payments to pensioners are funded by specific compulsory employer and employee contributions each at the rate of 1.6% of plan earnings and a certain portion of interest earned in excess of actuarial expectations. Supplements are added annually on each January 1. Each supplement is equal to the increase in the consumer price index, but will be limited to a lesser amount if the funds available are insufficient to provide the full amount. As at January 1, 1986 funds were available to provide the full amount of the consumer price index increase of 4.065% over the period October 1, 1984 to September 30, 1985.

B.C. Hydro has assumed responsibility for the liabilities resulting from the previous indexing formula, which amounted to approximately $15,500,000. This amount is being funded by a payment of $4,710,000 made in March 1982 and, as referred to in Note 6, subsequent payments of $1,194,248 annually until 1997.

8. SEPARATION OF PASSENGER TRANSPORTATION EMPLOYEES

Urban passenger transportation services were transferred from British Columbia Hydro and Power Authority to Metro Transit Operating Company as of April 1, 1980. Previously, interurban passenger transportation services were transferred to Pacific Coach Lines Limited.

As part of the settlement, Metro Transit Operating Company transfers cash to cover the cost of indexed pensions with respect to urban passenger transportation services pensioners paid by the Fund.

In respect of Pacific Coach Lines Limited employees, the transfer of assets in the amount of $3,455,515 was completed in 1984. As part of this settlement, Pacific Coach Lines Limited paid $1,645,659 to the Fund in respect of past and future indexing payments made by the Fund for certain pensioners.

BRITISH COLUMBIA POWER COMMISSION SUPERANNUATION FUND

Province of British Columbia

Office of the
Auditor General
Province of British Columbia

8 Bastion Square
Victoria
British Columbia
V8V 1X4

AUDITOR'S REPORT

To the Directors, British Columbia Hydro and Power Authority, and

To the Provincial Secretary and Minister of Government Services
Province of British Columbia:

I have examined the statement of financial position of the British Columbia Power Commission Superannuation Fund as at 31 December 1985 and the statement of changes in fund balance for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Fund as at 31 December 1985 and the changes in the fund balance for the year then ended in accordance with the stated accounting policies as set out in note 2 to the financial statements applied on a basis consistent with that of the preceding year.

Erma Morrison

Erma Morrison, F.C.A.
Auditor General

Victoria, British Columbia
17 March 1986

BRITISH COLUMBIA POWER COMMISSION SUPERANNUATION FUND

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 1985

	1985	1984
ASSETS		
Cash	$ 412,290	$ 733,886
Contributions receivable	6,024	16,294
Accrued interest on investments	634,231	727,699
Investments		
Short-term	7,100,000	5,600,000
Long-term (Note 3)	21,247,464	21,594,327
Deferred losses less gains on sale of investments (Note 4)	330,037	260,571
	$ 29,730,046	$ 28,932,777
LIABILITIES AND FUND BALANCE		
LIABILITIES		
Accounts payable and accrued liabilties	$ 99,466	$ 16,686
FUND BALANCE		
Contributory pensions account	10,670,105	10,042,925
Special reserve account (Note 5)	167,257	129,971
Undistributed interest account	10,258,790	9,196,856
Members and employees contributory account	4,146,362	4,632,560
Members and employees voluntary account	240,098	278,889
Employer contributory account	4,146,362	4,632,560
Unclaimed monies account	1,606	2,330
	29,630,580	28,916,091
	$ 29,730,046	$ 28,932,777

The six accompanying notes are an integral part of these financial statements.

APPROVED BY:

John W Cook

John W. Cook, F.C.I.A., Superannuation Commissioner, Trustee

Victor Barwin

Victor Barwin, C.A., Director, Finance, Superannuation Commission

BRITISH COLUMBIA POWER COMMISSION SUPERANNUATION FUND

STATEMENT OF CHANGES IN FUND BALANCE

FOR THE YEAR ENDED DECEMBER 31, 1985

	1985	1984
FUND BALANCE INCREASED BY		
Employee regular contributions	$ 12,224	$ 15,623
Employer matching contributions	12,224	15,623
Income from investments	2,527,732	2,444,211
	2,552,180	2,475,457
FUND BALANCE DECREASED BY		
Superannuation allowance payments		
Contributory	1,136,353	1,040,947
Cost of living supplements	484,161	441,087
	1,620,514	1,482,034
Refunds	86,028	48,153
Transfers to other funds	102,259	12,085
Administration expenses	19,371	10,539
Investment management fees	9,519	8,831
	1,837,691	1,561,642
NET INCREASE IN FUND BALANCE	714,489	913,815
FUND BALANCE AT BEGINNING OF YEAR	28,916,091	28,002,276
FUND BALANCE AT END OF YEAR	$ 29,630,580	$ 28,916,091

BRITISH COLUMBIA POWER COMMISSION SUPERANNUATION FUND

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1985

1. DESCRIPTION OF THE BRITISH COLUMBIA POWER COMMISSION SUPERANNUATION PLAN

a) General

The plan is a defined benefit plan, whereby benefits are not directly linked to contributions, except that certain benefit options are calculated by reference to the "money purchase" tables. All members of the plan are former employees of the British Columbia Power Commission, which became a part of British Columbia Hydro and Power Authority at its inception in 1962. Most members have deferred pension rights, as they now contribute to the British Columbia Hydro and Power Authority Pension Fund.

b) Retirement Benefits

Members are eligible for unreduced benefits if they retire at age 50 and the sum of the member's age and years of service is not less than 65.

The "half to the widow" plan benefit option is calculated on the 2% formula, while guarantee and joint life options are calculated on the money purchase formula.

The 2% formula is based on 2% per year of service up to a maximum of 70% of the average salary earned in any consecutive period of 10 years during which the salary was highest. There is a reduction in the formula pension at age 65 as a result of the integration with the Canada Pension Plan.

The money purchase plan is based on the total amount of the member's contributions, the matching employer contributions, plus the accumulated interest on these contributions.

Reference should be made to the plan text for a more detailed description of the benefits.

c) Termination Benefits

A terminating employee may choose between leaving accumulated contributions on deposit or obtaining a refund. The refund includes interest credited. Employees leaving contributions on deposit having contributed to the Fund for a minimum of ten years are entitled to a deferred pension benefit.

d) Other Benefits

Disability and Survivor benefits are available under the plan.

2. SIGNIFICANT ACCOUNTING POLICIES

a) General Information

These financial statements have been prepared on the accrual basis of accounting. They show only the position of the Fund as at December 31, 1985 and the changes in Fund balance for the year then ended and do not purport to show the adequacy of the Fund to meet the obligations of the superannuation plan. The results of the latest actuarial valuation required by the plan are described in Note 5 below.

BRITISH COLUMBIA POWER COMMISSION SUPERANNUATION FUND

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1985

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Investment Valuation

Long-term investments are those purchased with a term in excess of one year. They are carried at cost of acquisition adjusted as follows:

(i) Discounts and premiums on single maturity bonds are amortized on a straight line basis over the remaining terms of the bonds.
(ii) Discounts on serial bonds are recognized as income when redemptions occur.

Gains and losses on disposal of long-term investments are deferred and amortized on a straight line basis over the lesser of the remaining terms of the investments or twenty years. The amortization is charged against income from investments.

Short-term investments are carried at cost of acquisition.

3. LONG-TERM INVESTMENTS

Long-term investments held at the end of the year are as follows:

	1985 $	1984 $
Book Value	21,247,464	21,594,327
Par Value	21,427,700	21,797,600
Market Value	19,576,766	17,284,755

The difference between the book value and market value of the investments is not considered to be a permanent reduction of the Fund balance available for payment of plan benefits and therefore has not been provided for as at December 31, 1985.

4. DEFERRED LOSSES LESS GAINS ON SALE OF INVESTMENTS

	1985 $	1984 $
Balance at beginning of year	260,571	22,267
Losses less gains on sale of investments	107,441	246,404
	368,012	268,671
Amortization for the year	37,975	8,100
Balance at end of year	330,037	260,571

BRITISH COLUMBIA POWER COMMISSION SUPERANNUATION FUND

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1985

5. ACTUARIAL VALUATION

According to the regulations applicable to the Fund, an actuarial valuation of the sufficiency of the Special Reserve Account of the Fund is to be made by an Actuary every three years. The most recent valuation was carried out as at December 31, 1984. According to this valuation the consulting actuaries concluded that there were then no employees who were expected to benefit from the Special Reserve. They recommended that the Special Reserve Account be reduced to nil. No action has been taken upon the consulting actuaries' recommendation.

6. ESTIMATED PRESENT VALUE OF PENSIONS IN FORCE

Pursuant to Regulation No. 6 of the British Columbia Hydro and Power Authority Act, the Commission has estimated the present value of the 495 pensions in force as at December 31, 1985 (450 - 1984) at $14,866,000, ($13,655,000 - 1984). This comprises $10,405,000 ($9,740,000 - 1984) with respect to the basic component and $4,461,000 ($3,915,000 - 1984) with respect to the supplementary allowances which are charged when paid, to the Undistributed Interest Account.

WORKERS' COMPENSATION BOARD SUPERANNUATION FUND

Province of British Columbia

Office of the
Auditor General
Province of British Columbia

8 Bastion Square
Victoria
British Columbia
V8V 1X4

AUDITOR'S REPORT

To the Commissioners, Workers' Compensation Board, and

To the Provincial Secretary and Minister of Government Services
Province of British Columbia:

I have examined the statement of financial position of the Workers' Compensation Board Superannuation Fund as at 31 March 1986 and the statement of changes in fund balance for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Fund as at 31 March 1986 and the changes in its fund balance for the year then ended in accordance with the stated accounting policies as set out in note 2 to the financial statements applied on a basis consistent with that of the preceding year.

Erma Morrison

Erma Morrison, F.C.A.
Auditor General

Victoria, British Columbia
30 June 1986

WORKERS' COMPENSATION BOARD SUPERANNUATION FUND

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 1986

	1986	1985
ASSETS		
Cash	$ 1,903,470	$ 572,427
Accrued interest on investments	3,117,347	2,558,875
Investments		
Short-term	20,949,711	5,120,000
Long-term (Note 3)	54,187,081	56,180,430
Deferred losses less gains on sale of investments (Note 4)	988,810	843,269
	$ 81,146,419	$ 65,275,001
LIABILITIES AND FUND BALANCE		
LIABILITIES		
Accounts payable and accrued liabilities	$ 23,582	$ 26,128
FUND BALANCE (Note 5)		
Basic Account	75,029,005	60,861,849
Inflation Adjustment Account	6,093,832	4,387,024
	81,122,837	65,248,873
	$ 81,146,419	$ 65,275,001

The six accompanying notes are an integral part of these financial statements.

APPROVED BY:

John W. Cook, F.C.I.A., Superannuation Commissioner, Trustee

Victor Barwin, C.A., Director, Finance, Superannuation Commission

WORKERS' COMPENSATION BOARD SUPERANNUATION FUND

STATEMENT OF CHANGES IN FUND BALANCE

FOR THE YEAR ENDED MARCH 31, 1986

	1986	1985
FUND BALANCE INCREASED BY		
Contributions		
Member and employee		
Regular	$ 2,262,901	$ 2,471,042
Inflation adjustment	447,162	476,358
Voluntary	2,861	4,898
	2,712,924	2,952,298
Employer		
Regular	2,702,765	2,937,879
Inflation adjustment	447,162	476,358
Additional Board contributions (Note 6)	6,027,845	1,090,860
	9,177,772	4,505,097
Transfers from other funds	-	17,553
Income from investments	8,047,557	6,841,286
	19,938,253	14,316,234
FUND BALANCE DECREASED BY		
Superannuation allowance payments		
Contributory	3,148,224	2,708,458
Inflation adjustment supplements (Note 5)	218,455	123,174
Refunds	696,241	926,971
Transfers to other funds	1,369	403
	4,064,289	3,759,006
NET INCREASE IN FUND BALANCE	15,873,964	10,557,228
FUND BALANCE AT BEGINNING OF YEAR	65,248,873	54,691,645
FUND BALANCE AT END OF YEAR	$ 81,122,837	$ 65,248,873

WORKERS' COMPENSATION BOARD SUPERANNUATION FUND

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 1986

1. DESCRIPTION OF THE WORKERS' COMPENSATION BOARD SUPERANNUATION PLAN

a) General

The plan is a defined benefit plan, whereby benefits are not directly linked to contributions. The plan is open to all eligible employees and Board members of the Workers' Compensation Board.

b) Retirement Benefits

Members are eligible for unreduced benefits if they retire at age 55 with a minimum of 35 years contributory service and at age 60 with a minimum of 10 years contributory service. Reduced pensions are available at age 55 with a minimum of 10 years contributory service.

The plan provides a pension of 2% per year of service prior to age 65 up to a maximum of 70% of the average salary earned in the five highest earning years before retirement. At age 65, date of death or disability there is a reduction in the formula as a result of the integration with the Canada Pension Plan. Reference should be made to the plan text for a more detailed description of the benefits.

c) Termination Benefits

A terminating employee may choose between leaving accumulated contributions on deposit or obtaining a refund. The refund includes interest credited. Employees leaving contributions on deposit are entitled to a deferred pension benefit if they have completed a minimum of 10 years contributory service.

d) Other Benefits

Disability and Survivor benefits are available under the plan.

2. SIGNIFICANT ACCOUNTING POLICIES

a) General Information

These financial statements have been prepared on the accrual basis of accounting. They show only the position of the Fund as at March 31, 1986 and the changes in Fund balance for the year then ended and do not purport to show the adequacy of the Fund to meet the obligations of the superannuation plan. The results of the latest actuarial valuation of the plan are described in Note 6.

b) Investment Valuation

Long-term investments are those purchased with a term in excess of one year. They are carried at cost of acquisition adjusted as follows:

(i) Discounts and premiums on single maturity bonds are amortized on a straight line basis over the remaining terms of the bonds.
(ii) Discounts on serial bonds are recognized as income when redemptions occur.

WORKERS' COMPENSATION BOARD SUPERANNUATION FUND

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 1986

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Gains and losses on disposal of long-term investments are deferred and amortized on a straight line basis over the lesser of the remaining terms of the investments or twenty years. The amortization is charged against income from investments.

Short-term investments are carried at cost of acquisition.

3. LONG-TERM INVESTMENTS

Long-term investments held at the end of the year are as follows:

	1986 $	1985 $
Book Value	54,187,081	56,180,430
Par Value	54,182,500	57,672,500
Market Value	62,921,396	56,590,654

4. DEFERRED LOSSES LESS GAINS ON SALE OF INVESTMENTS

	1986 $	1985 $
Balance at beginning of year	843,269	-
Losses less gains on sale of investments	228,634	917,377
	1,071,903	917,377
Amortization for the year	83,093	74,108
Balance at end of year	988,810	843,269

5. FUND BALANCE

The Fund balance is made up of a Basic Account and an Inflation Adjustment Account. Payment of supplementary allowances, adjusted quarterly in relation to the cost of living index, commenced July 1, 1975. The last quarterly increase was granted January 1, 1983. Effective January 1, 1984, these cost-of-living supplementary allowances were consolidated with contributory pensions and were replaced by inflation adjustment supplements to be paid from the Inflation Adjustment Account. These supplements are adjusted each January 1st in relation to the annual increase in the Consumer Price Index as at each previous September 30th, but may be limited by the availability of funds in the Inflation Adjustment Account to provide the capitalized value of the increases.

The Inflation Adjustment Account was created October 1, 1982 and includes contributions by employees and the employer each at the rate of 1% of salary, the interest income earned therefrom, and interest income

WORKERS' COMPENSATION BOARD SUPERANNUATION FUND

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 1986

5. FUND BALANCE (Continued)

earned at a rate in excess of that assumed by the actuary on fund assets held in the Basic Account in respect of pensions being paid. It is decreased by refunds to former contributors and transfers to the Basic Account of the capitalized value of inflation adjustment supplements granted. The Basic Account consists of all other assets of the Fund.

Excess interest earnings for the year ended March 31, 1986 of $1,542,286 ($1,342,916 in 1985) transferable from the Basic Account to the Inflation Adjustment Account are reflected in the Accounts balances. Effective January 1, 1986, inflation adjustment supplements at the rate of 4.1% (3.8% effective January 1, 1985) of the basic lifetime portion of superannuation allowances in force were granted. The capitalized value of these inflation adjustment supplements was $1,131,309 ($581,503 in 1985), which amount was transferred from the Inflation Adjustment Account to the Basic Account.

6. ACTUARIAL VALUATION

According to the Workers' Compensation Board Superannuation Plan Regulations, an actuarial valuation of the assets and liabilities of the Plan is required to be made by an Actuary from time to time at intervals of not more than three years. The most recent valuation was carried out as at March 31, 1985. This valuation indicated an unfunded liability of approximately $21,038,000 with respect to the present value of pension benefits earned to the valuation date. This represented a decrease of $3,323,000 since the previous valuation as at September 30, 1982. Investment returns in excess of the actuarial assumptions contributed significantly to the decrease.

During the year ended March 31, 1986, the Workers' Compensation Board made a $5,000,000 lump sum payment to the Fund and also continued to make additional contributions at a rate of 2.29% of salary in order to eliminate the unfunded liability by the year 2007.

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